

**SASKATCHEWAN TEACHERS'
FEDERATION PORTAPLAN**

FINANCIAL STATEMENTS

June 30, 2021

Independent Auditor's Report

To the Saskatchewan Teachers' Federation Executive

Opinion

We have audited the financial statements of Saskatchewan Teachers' Federation Portaplan (the "Plan"), which comprise the statement of financial position as at June 30, 2021, and the statements of changes in net assets available for benefits and reserves and changes in benefit 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, 2021, and the changes in its net assets available for benefits and reserves and changes in its benefit 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
September 23, 2021
Saskatoon, Saskatchewan

SASKATCHEWAN TEACHERS' FEDERATION
PORTAPLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS AND RESERVES
year ended June 30, 2021

	2021	2020
NET ASSETS AVAILABLE FOR BENEFITS OVER BENEFIT OBLIGATIONS, BEGINNING OF YEAR	\$ 6,269,829	\$ 5,359,784
INCREASES		
Premiums	<u>4,332,203</u>	<u>4,116,400</u>
Direct cost service revenue (Note 14)	<u>44,600</u>	<u>34,700</u>
Net investment income (Note 5)		
Interest	3,220	12,695
Dividends	842,489	492,975
Change in fair value of investments	82,888	454,500
Investment manager expenses and custodial fees	<u>(60,124)</u>	<u>(62,544)</u>
	<u>868,473</u>	<u>897,626</u>
DECREASES		
Benefit payments		
Accident insurance premiums	(90,628)	(88,281)
Claims	(2,437,000)	(2,165,000)
Insurer retention costs	(121,507)	(118,872)
Premium taxes	<u>(67,222)</u>	<u>(63,542)</u>
	<u>(2,716,357)</u>	<u>(2,435,695)</u>
Administration (Schedule 1)	<u>(1,080,382)</u>	<u>(1,208,836)</u>
INCREASE IN NET ASSETS PRIOR TO CHANGE IN RESERVES AND OBLIGATIONS	1,448,537	1,404,195
Change in claims fluctuation reserve (Note 8)	(85,464)	(40,551)
Change in waiver of premium obligation (Note 9)	(56,550)	83,140
Change in age 90 and over claims obligation (Note 9)	(168,000)	(531,000)
Change in incurred but not reported claims reserve (Note 8)	(11,118)	(739)
Change in rate stabilization reserve (Note 10)	(93,000)	(5,000)
Premium rebate (Note 3)	<u>(850,782)</u>	<u>-</u>
INCREASE IN NET ASSETS	<u>183,623</u>	<u>910,045</u>
NET ASSETS AVAILABLE FOR BENEFITS OVER BENEFIT OBLIGATIONS, END OF YEAR	<u>\$ 6,453,452</u>	<u>\$ 6,269,829</u>

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

**SASKATCHEWAN TEACHERS' FEDERATION
PORTAPLAN
STATEMENT OF CHANGES IN BENEFIT OBLIGATIONS
year ended June 30, 2021**

	2021	2020
Waiver of premium obligation:		
Balance, beginning of year	\$ 1,077,000	\$ 1,160,140
Increase (decrease) in benefit obligation	<u>56,550</u>	<u>(83,140)</u>
Balance, end of year	<u>1,133,550</u>	<u>1,077,000</u>
Age 90 and over claims obligation:		
Balance, beginning of year	4,504,000	3,973,000
Increase in benefit obligation	<u>168,000</u>	<u>531,000</u>
Balance, end of year	<u>4,672,000</u>	<u>4,504,000</u>
Balance, end of year	<u>\$ 5,805,550</u>	<u>\$ 5,581,000</u>

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

**SASKATCHEWAN TEACHERS' FEDERATION
PORTAPLAN
STATEMENT OF FINANCIAL POSITION
as at June 30, 2021**

	2021	2020
ASSETS		
Investments (Note 4)	\$ 16,571,681	\$ 14,714,030
Cash	584,850	932,277
Premiums receivable	-	201
Accrued investment income (Note 4)	1,957	1,501
Manulife premiums receivable	666,222	676,303
Due from Saskatchewan Teachers' Federation – Other plans (Note 14)	-	32,371
Prepaid expenses	2,886	3,753
Tangible assets (Note 6)	5,546	5,936
Intangible assets (Note 7)	58,563	97,746
	17,891,705	16,464,118
DUE FROM SASKATCHEWAN TEACHERS' FEDERATION		
– GENERAL FUND (Note 14)	108,814	26,409
	18,000,519	16,490,527
LIABILITIES		
Accounts payable and accruals	473,507	356,410
Premiums payable	338	-
Deferred premiums	256,408	315,615
Premium rebate payable (Note 3)	850,782	-
Due to Saskatchewan Teachers' Federation (Note 14)	9,489	8,342
Due to Saskatchewan Teachers' Federation – Other Funds (Note 14)	2,080	-
Incurring but not reported claims (Note 8)	469,550	458,432
	2,062,154	1,138,799
CLAIMS FLUCTUATION RESERVE (Note 8)	477,363	391,899
RATE STABILIZATION RESERVE (Note 10)	3,202,000	3,109,000
NET ASSETS AVAILABLE FOR BENEFITS	12,259,002	11,850,829
BENEFIT OBLIGATIONS (Note 9)		
Waiver of premium	1,133,550	1,077,000
Age 90 and over claims	4,672,000	4,504,000
	5,805,550	5,581,000
NET ASSETS AVAILABLE FOR BENEFITS OVER BENEFIT OBLIGATIONS	\$ 6,453,452	\$ 6,269,829

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

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

Patrick Maze STF Executive President

Shayne Meggs Chairperson of Board

SASKATCHEWAN TEACHERS' FEDERATION PORTAPLAN
NOTES TO THE FINANCIAL STATEMENTS
year ended June 30, 2021

1. DESCRIPTION OF PLAN

Saskatchewan Teachers' Federation Portaplan (the "Plan") was established by the Saskatchewan Teachers' Federation in 1970. The Plan provides optional term life, accident and dependant insurance to Saskatchewan teachers and their family members.

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 individuals relating to eligibility for coverage, levels of coverage, how to apply for coverage and assistance in the completion of required forms.

The STF has an agreement with Manulife Financial ("Manulife") to provide term life and dependant life insurance benefits on an insured experience rated refund basis. Accident coverage is fully insured by Manulife on a pooled basis. The Plan's risk is limited to the payment of any required premiums.

Funding

Funding for the Plan is comprised of policyholder paid insurance premiums.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for pension plans in Part IV of the CPA Handbook. The Plan follows Accounting Standards for Private Enterprises ("ASPE") for accounts that do not relate to its investment portfolio or benefit obligations to the extent that these standards do not conflict with the requirements of the Canadian 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 STF and Plan members. The financial statements are prepared to assist Plan members and others in reviewing the activities of the Plan but they do not portray the funding requirements of the Plan or the benefit security of individual Plan members.

SASKATCHEWAN TEACHERS' FEDERATION PORTAPLAN
NOTES TO THE FINANCIAL STATEMENTS
year ended June 30, 2021

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 benefit obligations and reserves.

Employee Future Benefits

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

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

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

Investments

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

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 asset funds are stated at estimated fair value based on the net

SASKATCHEWAN TEACHERS' FEDERATION PORTAPLAN
NOTES TO THE FINANCIAL STATEMENTS
year ended June 30, 2021

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments (continued)

asset value reported by the fund manager, which is based on valuations performed by independent appraisers.

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 and Reserves.

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

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

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

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

Transaction Costs

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

Changes 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.

SASKATCHEWAN TEACHERS' FEDERATION PORTAPLAN
NOTES TO THE FINANCIAL STATEMENTS
year ended June 30, 2021

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Tangible Assets

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

Intangible Assets

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

Revenue Recognition

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. Premiums collected for which services have yet to be performed, as well as premiums paid and held on behalf of applicants awaiting approval for admission into the plan are deferred.

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

Direct cost service revenue recovered from the Saskatchewan Teachers' Federation – Members' Health Plan represents a reimbursement for the cost of salary and benefits.

Benefits

Payment of benefits are recorded in the period in which they are payable. Liabilities for unpaid claims are estimated using the input of assessment for individual cases reported to the Plan and accrued at the end of the year.

Financial Instruments

Initial and subsequent measurement

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

SASKATCHEWAN TEACHERS' FEDERATION PORTAPLAN
NOTES TO THE FINANCIAL STATEMENTS
year ended June 30, 2021

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

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

3. PREMIUM REBATE

The Saskatchewan Teachers' Federation Pension and Benefits Board of Directors has approved a distribution of a portion of unappropriated surplus to policyholders. The distribution will be made to policyholders on record as at July 1, 2021 in the amount of \$850,782 (2020 – \$nil) as a credit towards premiums for the 2021–22 policy year.

4. INVESTMENTS

	2021		2020	
	Market Value	Accrued Investment Income	Market Value	Accrued Investment Income
Fixed income	\$ 11,480,741	\$ -	\$ 10,345,792	\$ -
Equities				
Canadian	27,512	-	15,070	-
Foreign	3,509,834	1,957	2,861,839	1,501
Short-term investments and deposits	616,674	-	591,549	-
Real assets				
Real estate	924,159	-	868,964	-
Derivatives	12,761	-	30,816	-
	\$ 16,571,681	\$ 1,957	\$ 14,714,030	\$ 1,501

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

Fixed Income

Fixed income represents pooled investment funds in the TD Greystone fixed income fund and Robeco high yield bonds. The pooled investments do not have a quoted price in an active market. Fair value is based on the closing bid price for long positions.

SASKATCHEWAN TEACHERS' FEDERATION PORTAPLAN
NOTES TO THE FINANCIAL STATEMENTS
year ended June 30, 2021

4. INVESTMENTS (continued)

Equities

Equities represent pooled equity funds and securities issued by entities that are traded on a recognized stock exchange. Pooled investment funds represent funds totaling \$2,708,620 as at June 30, 2021 (2020 – \$2,154,401). As at June 30, 2021, \$27,512 related to securities traded on recognized Canadian stock exchanges, \$513,634 related to securities traded on recognized U.S. stock exchanges and \$287,580 related to securities traded on recognized non-North American stock exchanges (2020 – \$15,070, \$439,117 and \$268,321 respectively).

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

Short-Term Investments and Deposits

Short-term investments and deposits represent pooled investment funds in the TD Asset Management money market fund. Fair value in this case is based on the closing bid price for long positions. Due to the short-term nature of the items, gains and losses are insignificant.

Real Assets

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

Derivatives

The derivatives represent currently pending foreign exchange purchases and sales. Derivatives are initially recognized at the date 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 and Reserves.

SASKATCHEWAN TEACHERS' FEDERATION PORTAPLAN
NOTES TO THE FINANCIAL STATEMENTS
year ended June 30, 2021

5. NET INVESTMENT INCOME

	2021	2020
Interest		
Short-term investments and deposits	\$ 3,220	\$ 12,695
Dividends		
Fixed income	676,593	424,943
Canadian equities	223	109
Foreign equities	165,673	67,923
	842,489	492,975
Change in fair value of investments	82,888	454,500
	928,597	960,170
Investment management expenses and custodial fees		
Investment management expenses	(41,680)	(39,163)
Custodial fees	(18,205)	(22,909)
Transaction costs	(239)	(472)
	(60,124)	(62,544)
	\$ 868,473	\$ 897,626

6. TANGIBLE ASSETS

	Rates	Cost	Accumulated Amortization	Net Book Value
Leasehold improvements	10 yrs.	\$ 29,796	\$ 29,020	\$ 776
Office furniture	15 yrs.	10,975	7,023	3,952
Computer hardware	4 yrs.	3,732	2,914	818
2021 Totals		\$ 44,503	\$ 38,957	\$ 5,546
2020 Totals		\$ 45,561	\$ 39,625	\$ 5,936

SASKATCHEWAN TEACHERS' FEDERATION PORTAPLAN
NOTES TO THE FINANCIAL STATEMENTS
year ended June 30, 2021

7. INTANGIBLE ASSETS

	<u>Rates</u>	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Computer software	5 yrs.	\$ 316,274	\$ 257,711	\$ 58,563
2021 Totals		\$ 316,274	\$ 257,711	\$ 58,563
2020 Totals		\$ 316,274	\$ 218,528	\$ 97,746

8. CONTRACTUAL RESERVES AND OBLIGATIONS

Claims Fluctuation Reserve

Under a contractual agreement with Manulife, the Plan is required to set aside Plan experience rebates up to a maximum of 25% of annualized paid premiums adjusted for the renewal action for the refund accounted benefits. If an in-year surplus is generated, the money first goes to fund the claims fluctuation obligation. Once funded, any further surplus is released to the Plan. Experience deficits are recoverable from this obligation.

Incurred but not Reported Claims

In the event the agreement with Manulife is terminated, the Plan is responsible for the payment of claims that have occurred but are not yet reported to Manulife within the 60 days following the termination of the agreement. The Plan has set aside 15% of annual premiums for this purpose.

9. BENEFIT OBLIGATIONS

Waiver of Premium Obligation

Premiums for disabled members are waived until the member is no longer disabled. The disability waiver obligation is calculated as the present value of expected future benefit payments and expenses for the current cohort of disabled members. The expected future benefit payments and expenses reflect the likelihood that a plan member will continue to be disabled and will die while still covered under the disability waiver provision. A full actuarial valuation is prepared at least every 3 years to determine the disability waiver obligation; however, estimates are used in between valuation dates. An actuarial valuation for the disability waiver obligation was completed as at June 30, 2020 by Mercer, a firm of consulting actuaries, who provided reserve rates to estimate the disability waiver obligation in years in between valuation dates. The disability waiver as at June 30, 2021 was estimated as \$1,133,550 (2020 – \$1,077,000).

**SASKATCHEWAN TEACHERS' FEDERATION PORTAPLAN
NOTES TO THE FINANCIAL STATEMENTS
year ended June 30, 2021**

9. BENEFIT OBLIGATIONS (continued)

Age 90 and Over Claims Obligation

Term life insurance benefits for policyholders age 90 and over with a policy effective date prior to November 1, 2017 are funded by the Plan. The age 90 waiver obligation for each participant was calculated as the present value of future death benefits payable under the age 90 waiver provision prorated by the ratio of policy years at the valuation date to the projected years of plan membership at age 90. For participants age 90 or older the liability is equal to the present value of future death benefits payable under the age 90 waiver provision. The age 90 and over claims obligation as at June 30, 2021 was estimated as \$4,672,000 (2020 – \$4,504,000).

The last funding valuation of the obligation was effective June 30, 2020 which was completed by Mercer, a firm of consulting actuaries. During the 2019 fiscal year the Plan announced a decision to phase out the term life insurance coverage after the age of 90. Policyholders have the option to pay the associated premium to retain the benefit or elect to opt out of the benefit completely. The assumptions used in determining the waiver of premium obligation and age 90 and over claims obligation were:

Mortality rates (disabled members)	2009 Group Long Term Disability Valuation Table	2009 Group Long Term Disability Valuation Table
Mortality rates (all other)	90% of the 2014 Public Sector Canadian Pensioner Mortality Table with fully generational mortality improvements based on the CPM Improvement Scale MI 2017	90% of the 2014 Public Sector Canadian Pensioner Mortality Table with fully generational mortality improvements based on the CPM Improvement Scale B
Termination	2.2% per annum to age 75	2.2% per annum to age 75
Recovery from disability	2009 Group Long Term Disability Valuation Table	2009 Group Long Term Disability Valuation Table

**SASKATCHEWAN TEACHERS' FEDERATION PORTAPLAN
NOTES TO THE FINANCIAL STATEMENTS
year ended June 30, 2021**

10. RATE STABILIZATION RESERVE

The Saskatchewan Teachers' Federation Pension & Benefits Board of Directors approved the establishment of a rate stabilization reserve. The reserve's intended purpose is to provide a cushion to help cover unexpectedly high claims that occur from time to time. The Board has approved a reserve up to the average claims for a five-year projection period once the Plan is in a position to fund the rate stabilization reserve. The reserve is \$3,202,000 as at June 30, 2021 (2020 – \$3,109,000).

11. LEASE COMMITMENT

The Saskatchewan Teachers' Federation, on behalf of the Plan, entered into a lease agreement with the Saskatchewan Teachers' Retirement Plan, a related party, to lease office space for a term of 10 years from August 1, 2002 to July 31, 2012. The leasing costs remained in effect for the period August 1, 2012 to June 30, 2017. The current lease has been extended to June 30, 2022.

The aggregate minimum annual rental payments under these arrangements for the next year is \$8,445.

12. 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:

	2021			
	Level 1	Level 2	Level 3	Total
Investments				
Fixed income	\$ -	\$ 11,480,741	\$ -	\$ 11,480,741
Equities				
Canadian	27,512	-	-	27,512
Foreign	801,214	2,708,620	-	3,509,834
Short-term investments and deposits	-	616,674	-	616,674
Real estate	-	-	924,159	924,159
Derivatives	-	12,761	-	12,761
Total	<u>\$ 828,726</u>	<u>\$ 14,818,796</u>	<u>\$ 924,159</u>	<u>\$ 16,571,681</u>

SASKATCHEWAN TEACHERS' FEDERATION PORTAPLAN
NOTES TO THE FINANCIAL STATEMENTS
year ended June 30, 2021

12. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair Value Hierarchy (continued)

				2020
	Level 1	Level 2	Level 3	Total
Investments				
Fixed income	\$ -	\$ 10,345,792	\$ -	\$ 10,345,792
Equities				
Canadian	15,070	-	-	15,070
Foreign	707,438	2,154,401	-	2,861,839
Short-term investments and deposits	-	591,549	-	591,549
Real estate	-	-	868,964	868,964
Derivatives	-	30,816	-	30,816
Total	722,508	13,122,558	868,964	14,714,030

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

	2021	2020
Fair value, beginning of year	\$ 868,964	\$ 847,338
Purchases	-	-
Unrealized gains included in net investment income	55,195	21,626
Fair value, end of year	\$ 924,159	\$ 868,964

There were no transfers of investments between Level 1 and Level 2 during 2021 (2020 – \$nil). There were no transfers into or out of Level 3 during the year (2020 – \$nil).

13. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk Management

The Plan is exposed to various risks through its financial instruments. The following analysis provides a measure of the Plan's risk exposure and concentrations at June 30, 2021.

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

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NOTES TO THE FINANCIAL STATEMENTS
year ended June 30, 2021

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

Risk Management (continued)

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

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

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

The IOPS and IMGS establishes the investment policy of the Plan, including setting limits on the Plan's exposure to liquidity, credit risk and market risks (such as interest rate risk, foreign currency risk, equity price risk and real estate 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.

Market Risk

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

SASKATCHEWAN TEACHERS' FEDERATION PORTAPLAN
NOTES TO THE FINANCIAL STATEMENTS
year ended June 30, 2021

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

Risk Management (continued)

Market Risk (continued)

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

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

a) Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's cash flows, investment value 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 pooled funds and short-term investments and deposits. Fixed rate instruments subject the Plan to a fair value risk while the floating rate instruments subject the Plan to a cash flow risk.

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

At June 30, 2021, 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, 2021 would have increased by \$961,745 (or decreased by \$961,745) (2020 – increased by \$873,894 or decreased by \$873,894).

b) Foreign currency risk

Foreign currency exposure arises from the Plan's holdings of non-Canadian investments, which as at June 30, 2021, consist of investments denominated in U.S. dollars and a variety of other international currencies, which comprise 26% or \$4,313,851 (2020 – 24.3% or \$3,582,104) of the total portfolio.

**SASKATCHEWAN TEACHERS' FEDERATION PORTAPLAN
NOTES TO THE FINANCIAL STATEMENTS
year ended June 30, 2021**

13. 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, 2021, if foreign exchange rates at that date had been 1% higher (or 1% lower), with all other variables held constant, the net assets of the Plan would have increased by \$11,785 (or decreased by \$11,785) (2020 – increased by \$10,184 or decreased by \$10,184).

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 risks associated with holding investments denominated in foreign currencies. Fair value of these contracts are determined by J.P. Morgan by calculating the settlement amount using the exchange rate at year end compared to the contract amount.

As at June 30, 2021, the Plan had derivative contracts in place with notional amounts as follows:

	2021	2020
Open contracts to purchase foreign currency	\$ 731,566	\$ 930,955
Open contracts to sell foreign currency	744,327	1,598,415

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 \$3,537,346 at June 30, 2021 (2020 – \$2,876,909).

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

SASKATCHEWAN TEACHERS' FEDERATION PORTAPLAN
NOTES TO THE FINANCIAL STATEMENTS
year ended June 30, 2021

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

Types of Risks (continued)

Market Risk (continued)

c) Equity price risk (continued)

outside the composite index. As at June 30, 2021, the Plan maximum exposure to a single equity investment was \$33,881 (2020 – \$32,984).

At June 30, 2021, 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, 2021 would have increased by \$353,735 (or decreased by \$353,735) (2020 – increased by \$287,691 or decreased by \$287,691).

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

	<u>Percentage</u>	<u>Market Value</u>
Canadian Stocks		
Consumer Staples	0.8%	\$ 27,512
	<u>0.8%</u>	<u>27,512</u>
Non-Canadian investments		
U.S. stocks	14.5%	513,634
Europe, Australia, Japan and Far East stocks	8.1%	287,580
Pooled equity funds	76.6%	2,708,620
	<u>99.2%</u>	<u>3,509,834</u>
	<u>100.0%</u>	<u>\$ 3,537,346</u>

For the purposes of the disclosures above, 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.

SASKATCHEWAN TEACHERS' FEDERATION PORTAPLAN
NOTES TO THE FINANCIAL STATEMENTS
year ended June 30, 2021

13. 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 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.

Credit Risk

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

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

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

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 pooled fixed income funds, pooled short-term investments and deposits, receivables, accrued investment income and cash.

As at June 30, 2021, the Plan's maximum exposure to credit risk was \$13,459,258 (2020 – \$12,606,404) being the total of the carrying values of these assets.

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

Consistent with the Plan's IMGS, the investments of the Plan currently include pooled funds with TD Asset Management and Robeco. 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.

SASKATCHEWAN TEACHERS' FEDERATION PORTAPLAN
NOTES TO THE FINANCIAL STATEMENTS
year ended June 30, 2021

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

Types of Risks (continued)

Credit Risk (continued)

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

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

	<u>Percentage</u>	<u>Market Value</u>
Fixed Income Funds		
Greystone fixed income	88.3%	\$ 10,676,724
Robeco high yield bonds	6.6%	804,017
	94.9%	11,480,741
Short-term investments and deposits	5.1%	616,674
	100.0%	\$ 12,097,415

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, 2021, the Plan has current financial liabilities of \$485,414 (2020 – \$364,752) relating to accounts payable and accrued expenses, premiums payable, amounts due to Saskatchewan Teachers' Federation and amounts due to Saskatchewan Teachers' Federation – Other Plans within the next 12 months.

At June 30, 2021, 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.

SASKATCHEWAN TEACHERS' FEDERATION PORTAPLAN
NOTES TO THE FINANCIAL STATEMENTS
year ended June 30, 2021

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

Types of Risks (continued)

Liquidity Risk (continued)

On March 11, 2020 the World Health Organization characterized the outbreak of a strain of the novel coronavirus (COVID-19) as a pandemic which resulted in a series of public health and emergency measures be put in place to combat the spread of the virus. The public health and emergency measures continue to result in an economic slowdown, restrictions on public gatherings and activities. Current impacts have been limited.

14. RELATED PARTY TRANSACTIONS

Revenues

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

	2021	2020
Saskatchewan Teachers' Federation – Members' Health Plan	\$ 44,600	\$ 34,700
	44,600	34,700

Administration

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

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

	2021	2020
Administration fees	\$ 619,248	\$ 614,487
	619,248	614,487

**SASKATCHEWAN TEACHERS' FEDERATION PORTAPLAN
NOTES TO THE FINANCIAL STATEMENTS
year ended June 30, 2021**

14. RELATED PARTY TRANSACTIONS (continued)

Administration (continued)

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

	2021	2020
Saskatchewan Teachers' Federation – Members' Health Plan	\$ 67,200	\$ 29,400
Saskatchewan Teachers' Federation – Teachers' Long-Term Disability Plan	81,600	101,300
	\$ 148,800	\$ 130,700

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

	Operating Costs	Base Rent - Common	Parking Fees	2021 Total	2020 Total
Saskatchewan Teachers' Federation – General Fund	\$ -	\$ 1,901	\$ 720	\$ 2,621	\$ 1,792
Saskatchewan Teachers' Retirement Plan	16,135	-	-	16,135	10,565
	\$ 16,135	\$ 1,901	\$ 720	\$ 18,756	\$ 12,357

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.

During the year, the Plan incurred rent payments to Saskatchewan Teachers' Retirement Plan of \$5,666 (2020 – \$3,552).

Fixed asset overhead recovery represents a recovery of costs by the STF related to certain capital assets that are paid for by the STF and used by Saskatchewan Teachers' Federation – Portaplan. During the year \$nil was paid to the Saskatchewan Teachers' Federation (2020 – \$nil). The amortized amount for the year is \$1,293 (2020 – \$6,629) and is recorded in Schedule 1 of the Statement of Changes in Net Assets Available for Benefits.

SASKATCHEWAN TEACHERS' FEDERATION PORTAPLAN
NOTES TO THE FINANCIAL STATEMENTS
year ended June 30, 2021

14. RELATED PARTY TRANSACTIONS (continued)

Administration (continued)

At the end of the year, the amount due to Saskatchewan Teachers' Federation is \$9,489 (2020 – \$8,342) and the amount due to (from) Saskatchewan Teachers' Federation – Other Funds is \$2,080 (2020 – (\$32,371)). These amounts are expected to be settled within the next 12 months.

At the end of the year, the amount due from Saskatchewan Teachers' Federation – General Fund, and not expected to be settled within the next 12 months, is \$108,814 (2020 – \$26,409).

15. COMPARATIVE FIGURES

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

**SASKATCHEWAN TEACHERS' FEDERATION
PORTAPLAN
SCHEDULE OF ADMINISTRATION EXPENSES
year ended June 30, 2021**

	2021	2020
Actuarial	\$ 16,493	\$ 20,986
Administration expense – Saskatchewan Teachers' Federation (Note 14)	619,248	614,487
Administration expense – facilities (Note 14)	18,756	12,357
Administration expense – direct service costs (Note 14)	148,800	130,700
Amortization	40,623	45,182
Audit	19,597	19,241
Communication	56	1,765
Legal and consulting	34,916	82,223
Governance	8,490	20,477
Insurance	4,726	3,239
Interest	3,704	4,083
Office supplies and miscellaneous	46,937	51,148
Rent (Note 14)	5,666	3,552
Salaries and benefits	105,364	201,384
Professional growth	1,054	672
Organizational administration	5,952	(2,660)
	<u>\$ 1,080,382</u>	<u>\$ 1,208,836</u>