2022
ANNUAL REPORT

SASKATCHEWAN PENSION PLAN

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ANNUAL REPORT
FOR THE YEAR ENDING
DECEMBER 31, 2022

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Saskatchewan Pension Plan

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LETTERS OF TRANSMITTAL

His Honour

The Honourable Russell Mirasty, M.S.M, S.O.M.

Lieutenant Governor of Saskatchewan

Your Honour:

I have the honour to submit the Annual Report of the Saskatchewan Pension Plan for the year ended December 31, 2022.

Respectfully submitted,

Donna Harpauer

Minister Responsible

Saskatchewan Pension Plan

The Honourable Donna Harpauer

Minister Responsible

Saskatchewan Pension Plan

Madam:

On behalf of the Board of Trustees for the Saskatchewan Pension Plan, I have the honour to present the Annual Report for the Saskatchewan Pension Plan for the year ended December 31, 2022.

Respectfully submitted,

Shannan Corey, B.Sc., CPHR

Executive Director

Saskatchewan Pension Plan

BOARD OF TRUSTEES' MESSAGE

On behalf of the Saskatchewan Pension Plan (SPP) Board of Trustees (the Board), it is my honour to submit this annual report for 2022.

SPP's roots are grounded in providing all individuals with the opportunity to enhance retirement security through a professionally managed pension with low fees – ultimately providing retail quality products at wholesale prices. In order to ensure that we achieve that balance, the Board is diligent in its oversight of investment managers as well as the overall portfolio composition itself. In 2022, since the year itself from a market perspective was very challenging, the Board spent extra time working with investment managers and SPP's investment consultant to holistically review the asset allocation, focusing on fundamental, forward-looking analysis rather than examining historical returns and avoiding knee-jerk reactions to short-term market crises.

During poor stock market times, our investment managers are well positioned to further increase SPP's portfolio. In order to achieve the long-term investment goals, the balanced fund invests in assets that may have uncertain returns such as equities, alternatives and bonds. However, the Board attempts to reduce the overall level of risk by diversifying the asset classes, diversifying within each individual asset class and diversifying by manager style. Risk is also addressed through quality, quantity and diversification guidelines set out in the Statement of Investment Policies and Goals.

In 2022, SPP enhanced its portfolio diversification by adding two investment managers: Ninepoint Partners LP (Ninepoint) and Fengate Capital Management Ltd. (Fengate). Ninepoint received a private debt allocation of 10 per cent of the balanced fund, while Fengate handles 10 per cent of the infrastructure allocation. Private debt has stronger return predictions with lower volatility when compared to bonds. The allocation to Fengate diversifies and increases the Plan's infrastructure portfolio. The SPP Board continues to have a history of long-term relationships with its investment managers. TD Asset Management and its predecessor Greystone have managed all or part of the balanced fund since the Plan's inception in 1986. In 1995, the Board shifted a portion of the balanced fund mandate to Leith Wheeler Investment Counsel. Both TD Asset Management and Leith Wheeler continue to be a key part of the investment management team.

Ultimately, the Board is confident that the investments will continue to produce strong, long-term results for members and we remain focused on that rather than the short-term fluctuations which commonly plague markets. The Board also remains keenly focused on providing all members with access to an institutional-quality portfolio, that not only consists of high-quality investments that cannot otherwise be accessed by many members on their own, but at a total management expense ratio that is below that of most retail mutual funds.

Strategy provides a sharp focus for organizations as they work toward achieving long-term goals. The Saskatchewan Pension Plan (SPP) Board of Trustees and management engaged in a strategic planning process during most of 2022. The Board approved a five-year strategic roadmap at its September meeting. Our work is focused on four areas: growth, member experience, financial management and operations. In the short-term, we will continue to evolve our regulatory framework to help SPP achieve its growth goals and enterprise risk management to ensure our information technology is modernized. Investment oversight, as part of the financial management goal area, continues to be a priority with its emphasis heightened during the challenging market conditions we are presently experiencing.

In the meantime, we will continue to weather the financial market storms together through robust investment management oversight. Our long-term strategies remain strong and we encourage members to focus on the big picture – pension investments are meant to be long-term in nature. While we can't eliminate market risk, we have strategies in place to minimize the risk.

Thank you for allowing SPP to be part of your journey to a secure retirement.

Respectfully submitted,

Timothy W. Calibaba, ICD.D
Chairperson, Board of Trustees
Saskatchewan Pension Plan

EXECUTIVE DIRECTOR'S MESSAGE

I am pleased to present management's perspective for this 2022 annual report of Saskatchewan Pension Plan (SPP) operations.

We were very busy on the operations side as we continued to expand our member services while providing effective and financially prudent services. Following a robust strategic planning process with the Board, we focused on building the foundations to allow SPP to continue to grow and thrive well into the future. At the heart of those foundations is the business systems and in 2022 we focused on identifying what steps we would need to take to transform those systems and design them to ensure SPP remains not only viable and sustainable, but positioned to meet and exceed our member's expectations. We are committed to ensuring our technology systems are modern, effective and relevant while still balancing the critical need to keep member fees low.

We continued to explore growth from a regulatory perspective and appreciated the ongoing support we received from the Ministry of Finance and the Financial and Consumers Affairs Authority as we navigated the plans for continued growth and expansion.

One of our strongest plan features is the ability to provide decumulation products to members after retirement, and we continue to see growth under the variable benefit option as it provides Saskatchewan members with flexibility to navigate challenging market conditions. Annuity rates also increased in 2022, which meant that members received more pension compared to prior years for the same purchase price. To enable those decisions, we continued to provide members with in-house financial planning education and enhanced on-line meeting options for members. On the employer member side, growth remained a key focus for us and we saw strong business development for employer plans in 2022.

On the staffing front, SPP is happy for Bonnie Meier, one of our key long-term staff members, who is retiring from public service. We will miss her guidance, leadership, and unwavering commitment and support. Bonnie joined SPP in the fall of 1991, and has been serving members and supporting staff and the Board ever since. As we wish Bonnie a happy, healthy retirement, we remain committed to carrying on her legacy of serving members effectively and respectfully, and we will ensure we continue to serve our members at the level she would expect of us.

As Executive Director, I thank the Board of Trustees for their support as they delegate day-to-day operations of the Plan to me, guided by a fresh set of strategic goals. This report is filled with statistics and financial information on the progress toward meeting those goals in 2022. Our balanced fund (BF) return was -4.07 percent and our diversified income fund (DIF) return was -5.27 per cent.

SPP meets a need for people who wish to grow their retirement savings with a professionally managed, easy-to-use product. The maximum contribution limit moved to $7,000 for 2022 with annual indexing to the year's maximum pensionable earnings (YMPE). As administrators, we constantly seek to balance the wishes of members, the strategic goals set by Trustees and the legislative framework of our operations. At the end of each day, our purpose at SPP is to offer superior service to our members and a product that people value.

Respectfully submitted,

Shannan Corey, B.Sc., CPHR
Executive Director
Saskatchewan Pension Plan

CORPORATE PHILOSOPHY

OUR MISSION

The Saskatchewan Pension Plan will provide a superior investment opportunity to enhance financial security at retirement.

OUR VISION

The trusted pension plan.

OUR VALUES

RESPECT

- Listening and working to understand and meet needs
- Communication must be direct, open, honest and timely

INTEGRITY

- Behaving in a consistent manner, respecting commitments and being true to one's word
- Upholding the highest ethical standard

INITIATIVE

- Encouraging creativity, learning and self development
- Planning and executing new approaches and methods

TEAMWORK

- Accepting diversity and difference
- Co-operating to accomplish common goals

ACCOUNTABILITY

- Following through on commitments, agreements and promises
- Openly sharing relevant information

STRATEGIC DIRECTION

Saskatchewan Pension Plan (SPP) provides members with a smart and affordable means to save for retirement. SPP is a fully-funded capital accumulation plan created by the provincial government to provide supplementary income to individuals with little or no access to employer-sponsored pensions. The Plan's mission is to provide a superior investment opportunity to enhance financial security at retirement.

SPP is a Saskatchewan success story that is not replicated by any other country or province. The Canadian retirement income system is often viewed as having three pillars: universal government benefits (Old Age Security), Canada Pension Plan (CPP), employment pension plans and individual retirement savings. SPP is part of the individually funded plans or third pillar of retirement savings.

The Board strategically directs the administration of SPP. Typically a large portion of asset growth comes from increased value of investments; however, investment climates sometimes make this challenging. The expense ratio is affected by economies of scale and by operational expenditure decisions.

SPP is particularly beneficial for businesses that find existing pension options too expensive and too cumbersome to administer. The Plan continues to focus on small businesses, especially those with fewer than 50 employees, and those who do not have access to private pension arrangements. Employers in Saskatchewan are looking for tools to help them recruit and retain employees. SPP's research indicates that a pension option will help employers achieve the results they desire.

The following corporate goals defined plan operations during the year under review.

GOAL 1: TO IMPROVE SPP'S COMPETITIVE POSITION

The maximum annual contribution is indexed to the YMPE and in 2022 was $7,000. A variable benefit (VB) product launched for members in Saskatchewan in 2021 continues to gain momentum.

GOAL 2: TO INCREASE SPP MEMBERSHIP

The 919 new members who joined SPP in 2022 had an average age of 39.5 years.

GOAL 3: TO INCREASE SPP ASSETS

Contributions in 2022 totaled $28.4 million. Net assets under administration in the Contribution Fund (CF) were $588.2 million: Balanced Fund (BF) $581.3 million and Diversified Income Fund (DIF) $6.9 million. The Annuity Fund (AF) manages $108.2 million.

GOAL 4: TO OPTIMIZE MEMBER SATISFACTION

One of the measures of member satisfaction is superior service and competitive rates of return. The Board ensures the Plan is prudently and efficiently managed. This is reflected in a BF MER of 85 bps and a DIF MER of 78 bps. The MER for the AF was 43 bps.

Online member access and social media initiatives are intended to enhance member satisfaction by providing timely access to information about participant accounts and about SPP, financial planning and education. Member engagement in these tools is strong.

LOOKING AHEAD

The continued success of the Plan depends on its ability to meet member expectations in both service and products. SPP strives to be the pension plan of choice for individuals and for businesses and their employees.

PLAN OPERATIONS

SPP is a voluntary, capital accumulation plan for people who want access to a professionally managed, low cost option to grow funds for retirement. The Plan is available to people between 18 and 71 years of age. Participants must have unused RRSP room to contribute. SPP members are full-time employees, part-time employees, self-employed people, homemakers, farmers and students. At December 31, 2022, SPP had 31,679 members (2021: 32,409).

NEW MEMBER PROFILE

- 919 people joined SPP in 2022.
- 89 per cent identified themselves as full-time, part-time or self-employed.
- Average age of new members in 2022 was 39.5 years.

SPP has promotional information available for individuals who want more detailed Plan information. This literature can be obtained by:

- visiting the Plan's website at saskpension.com; visiting SPP's blog at savewithSPP.com;
- calling the toll-free line at 1-800-667-7153; or
- e-mailing the Plan at: info@saskpension.com.

FEATURES OF SPP

The Plan is flexible so that members can make it fit their life situation and budget. The main features of SPP are:

- Voluntary - no obligation to contribute;
- Flexible - payment at any time during the year;
- Portable - people can join and contribute to the Plan regardless of where they reside;
- Professionally managed investments;
- Business pension option; and
- Several retirement options.

Members and the public use the toll-free inquiry line, email and the website to contact SPP. In 2022 the inquiry centre responded to almost 21,000 inquiries.

MEMBER STATISTICS

Member status	%
Active	74
Retired	26

Sex	%
Female	63
Male	37

Occupation	%
Homemaker	10
Farmer	5
Self-Employed	10
Full-time	47
Part-time	16
Student	7
Other	5

Age distribution	%
18-25	2
26-34	9
35-49	27
50-65	31
Over 65	31

CONTRIBUTING TO SPP

Non-retired members can contribute up to the maximum allowable limit, subject to their available RRSP room. The maximum annual contribution to SPP in 2022 was $7,000. The annual maximum contribution is indexed to the YMPE and changes on January 1 each year. There is no minimum contribution. Contributions are tax deductible by the member or their spouse within RRSP guidelines.

During 2022, 11,136 members contributed to SPP with an average contribution of $2,550 (2021: 11,423; $2,551).

Members like the easy payment options available at SPP. They can use the pre-authorized contribution system; mail contributions to the Plan; use their Visa® or Mastercard® by phone, in person or on SPP's website; use the online banking service available at their financial institutions; or contribute, in person, at financial institutions.

Transfers from other RRSPs and unlocked RPPs are accepted up to a maximum of $10,000 per calendar year for non-retired and VB members. In 2022, 676 members transferred $5.4 million (2021: 894; $7.2 million) into their SPP accounts.

Contributions are locked in and vested and are used to provide the member with a pension at retirement. Contributions are creditor protected and cannot be seized, claimed or garnisheed in any way except in the event of a court order under a marital division or Enforcement of Maintenance Order.

PLAN OPERATIONS

Assets of members who have not yet retired and for those receiving the VB are held in the CF. Contributing and VB members may choose between a BF and DIF for investment. The BF is actively managed and contains bonds, mortgages, equities, real estate, infrastructure, private debt and money market investments. The purpose of the BF is to provide members with long-term growth. The DIF contains Canadian bonds, mortgages and money market instruments; it is designed to provide lower-risk returns by investing in diversified sources of income.

The Statement of Investment Policies and Goals is summarized on pages 18-20. More information on the CF performance in 2022 is found in the Investment report section (page 14-17).

BUSINESS PLANS

SPP is uniquely positioned to help businesses enhance their employee benefit package by offering employers a simple, affordable and easily managed pension plan option for employees. Employers can use SPP to offer the benefit of a pension plan without incurring the costs of administration or future liability for pension payments. Employers simply deduct the contributions from their payroll or contribute on behalf of their employees on whatever schedule they choose.

RETIRING FROM SPP

Plan members can choose to retire from SPP between the ages of 55 and 71. At the time of retirement, members may direct all or part of their account to purchase an annuity from SPP, receive income from SPP's VB, transfer their account to a locked-in retirement account or prescribed registered retirement income fund with another financial institution, or a combination of the annuity and transfer options. SPP also offers a small pension payout option for members whose monthly benefit is less than the prescribed amount. In 2022, pensions under $27.04 per month qualified for this option.

Each annuity the Plan offers will pay the recipient lifetime monthly benefits with possible payments to a beneficiary or survivor after the member's death.

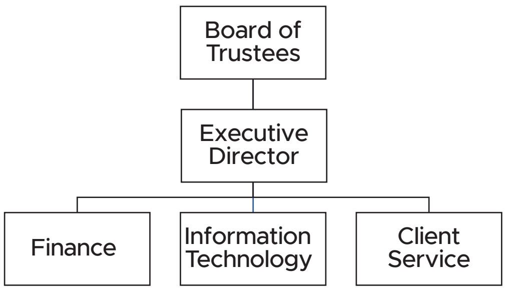
RETIRED MEMBERS

- 825 members retired with an average age of 66.6 years.
- 118 members started an SPP annuity in 2022.
- Average monthly SPP annuity for new retirees was $282.
- Highest monthly SPP annuity is $1,138.
- 8,102 members received an SPP annuity at the end of 2022.
- Oldest retiree receiving payments is 101.
- 328 members elected the VB product.
- 308 members transferred into other retirement income vehicles.
- 152 chose the small account balance payout.

Annuity payments are determined by the member's account balance, age at retirement, annuity option and interest and annuity rates in effect. When members retire from SPP and choose an annuity from the Plan, their funds are transferred from the CF to the Annuity Fund (AF). The AF, a non-trading portfolio, invests in high-quality, long-term, fixed-income instruments.

The VB is a retirement income option with no maximum withdrawal restriction and the option to withdraw part or all of the balance at any time. VB provides control over how much retirement income is withdrawn and when the withdrawals occur throughout the year. Members have the choice of how the money is invested within the Plan: the BF and/or the DIF. In this way, retirees can continue to receive the low fees while the investment continues to grow on a tax-sheltered basis.

PLAN OPERATIONS



ADMINISTRATION

SPP is administered by a Board of Trustees (Board) who act as trustee of the fund and administer the Plan in accordance with *The Saskatchewan Pension Plan Act* and Regulations and Board policies.

Board members are appointed by Order-in-Council and serve staggered three-year terms. Trustees for the period reviewed in this report were: Timothy Calibaba, Chairperson; Rene Benoit; Kimberly Enge; Paul Jaspar; Barbara Shourounis and Rodney Trayhorne.

Responsibility for daily administration of the Plan is delegated to the Executive Director. In addition, the Board employs a number of consultants and specialists to assist them with managing member funds. These include:

- professional money managers, TD Asset Management, Leith Wheeler Investment Counsel Ltd., Fengate, and Ninepoint Partners who are responsible for investing member funds according to the Board's investment policies;
- a custodian, RBC Investor and Treasury Services, who holds all securities and cash in the funds and reports independently to the Board, thereby ensuring all funds are safeguarded;
- a pension consultant, George & Bell, who assists the Board in monitoring the performance of the investment managers; and
- an actuarial consultant, Aon Inc., who performs the annual actuarial valuation which assists the Board with monitoring the AF performance.

SPP Board of Trustees: Back row (L to R): Kimberly Enge, Paul Jaspar and Rene Benoit. Front row (L to R): Timothy Calibaba, Rodney Trayhorne, and Barbara Shourounis.

Administrative expenses are paid from Plan earnings. SPP focuses on providing efficient service at a reasonable cost.

PRIVACY

The Plan only collects the personal information necessary to run the program. The general rule of SPP's internal privacy policy stipulates that personal information can only be disclosed to the member or their authorized representative.

The Freedom of Information and Protection of Privacy Act was enacted in 1992 and is the major piece of provincial legislation governing privacy. In addition to complying with this legislation, SPP also complies with the Overarching Personal Information Privacy Framework for Executive Government. Questions about privacy should be directed to the Plan's Privacy Officer.

2022 market returns	
S&P/TSX Composite Index	-5.8%
S&P 500 Index (C$)	-12.2%
MSCI EAFE Index (C$)	-8.2%
Canada Property Fund Index	9.0%
FTSE TMX Universe Bond Index	-11.7%
FTSE TMX 91-day T-Bill	1.8%

After a strong 2021 for investment markets, 2022 was a challenging year for market performance with inflation playing a key role. Increases in inflation were influenced by Covid disruptions, pent-up demand and the war in Ukraine, leading to central bank rate hikes throughout the year. As a result, all capital markets traded sharply lower for the year, fixed income investments in particular experiencing losses. In equities, the consumer discretionary sector saw challenges as consumers tightened their spending due to inflationary pressures. At the opposite end of the spectrum, however, the energy sector saw large positive returns due in part to increasing oil prices following onset of the Russia and Ukraine war. All of this meant the S&P 500 and the S&P/TSX composite were down for the year, with declines to -12.3 per cent and -5.8 per cent, respectively. International markets also struggled with the MSCI EAFE index returning -8.2 per cent. On a positive note however, bond yields saw their highest levels in over a decade.

The fourth quarter of 2022 saw equity markets rebound sharply, providing investors with some relief from the dramatic cross asset sell-off that occurred during the year. Real assets and commercial mortgages continued to provide strong diversification to portfolios amid market fluctuations. The inflation data started to show a downward trajectory heading into 2023.

As we head into 2023, markets will remain focused on drawing down inflation. As a result, short term rates will likely remain elevated for a period of time. In this new tight money environment, fundamentals and value conscious investing will be key to good performance going forward.

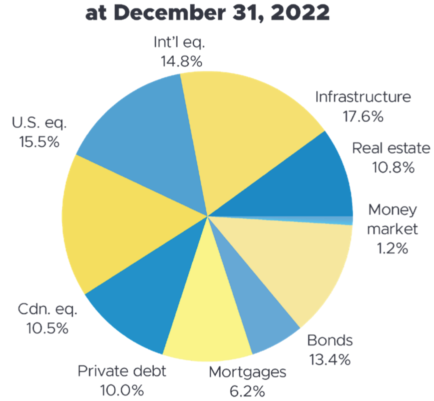
CONTRIBUTION FUND - BF RESULTS

SPP balanced fund return history	
2022	-4.1%
5 year return	5.4%
10 year return	7.4%
Since inception (37 years)	7.7%

The balanced fund (BF) is structured to provide long-term capital growth and downside risk protection in challenging markets, performing above other comparator balanced funds. The fund holds a mixture of equities, fixed income, Canadian real estate, private debt and infrastructure investments. The market value of the BF decreased from $597.1 million at the beginning of 2022 to $581.3 million at the end of 2022. This represents a return of -4.1 per cent after administration costs. The historic rates of return are shown in the accompanying table. The fund is managed by TD Asset Management (TDAM), Leith Wheeler Investment Counsel (Leith Wheeler), Ninepoint Partners LP (Ninepoint) and Fengate Capital Management Ltd. (Fengate).

The chart below shows the BF asset mix on December 31, 2022 and the other charts show the sector weighting of all asset class portfolios.

Balanced fund portfolio at December 31, 2022



The following is a summary of the 2022 BF performance by asset class. The rates of return used exclude administration fees, which allows for a valid comparison to benchmarks. SPP's year-end return, before administration expenses, was -3.1 per cent compared to a benchmark of -4.8 per cent.

CANADIAN EQUITIES

Top 10 Canadian equity holdings		% of Portfolio			% of Portfolio
1.	Royal Bank of Canada	7.8	6.	Toromont Industries	3.8
2.	Toronto-Dominion Bank	6.9	7.	Canadian National Rwy.	3.5
3.	Bank of Montreal	4.9	8.	Rogers Communications	2.9
4.	Cdn. Natural Resources	4.5	9.	Tourmaline Oil Corp.	2.8
5.	Constellation Software	3.8	10.	Metro Inc	2.7

The S&P/TSX Composite Index returned -5.8 per cent in 2022. The best performing sectors in Canadian equities were energy and consumer staples, while health care suffered and severely underperformed with a return of -61.6 per cent. SPP's Canadian equity portfolio had slightly negative return in the year with TDAM returning 0.2 per cent and Leith Wheeler returning -1.3 per cent.

	S&P/TSX Weight (%)	Portfolio Weight (%)	Index Return (%)
Energy	17.5	13.5	30.3
Consumer Staples	4.0	4.8	10.1
Materials	12.0	7.7	1.7
Industrials	12.3	14.9	1.4
Cash	-	0.0	-
SPP			**-0.7**
Communications	5.0	6.1	-2.6
S&P/TSX			**-5.8**
Consumer discretionary	3.4	3.2	-6.0
Financials	31.7	35.0	-9.4
Utilities	4.8	4.2	-10.6
Real estate	2.7	1.9	-21.5
Information technology	6.1	8.7	-52.0
Health care	0.5	0.0	-61.6
Total	100.0	100.0	

U.S. EQUITIES

Top 10 U.S. equity holdings		% of Portfolio			% of Portfolio
1.	Microsoft	3.0	6.	Alphabet	2.0
2.	UnitedHealth Group	2.8	7.	Philip Morris International	1.8
3.	Apple	2.6	8.	JPMorgan Chase	1.6
4.	Merck and Co.	2.4	9.	Hess Corporation	1.4
5.	Broadcom	2.1	10.	Chevron	1.4

The S&P 500 index (C$) returned -12.2 per cent in the year. The best performing sectors were energy and utilities while the communications return was the lowest. SPP's U.S. Equity portfolio returned -11.1 per cent from TDAM and 2.2 per cent from Leith Wheeler's sub-advisor Barrow Hanley.

	S&P 500 Weight (%)	Portfolio Weight (%)	Index Return (C$) (%)
Energy	4.4	6.4	77.8
Utilities	2.9	4.8	8.9
Consumer staples	6.6	3.4	6.6
Health care	14.4	15.4	5.2
Industrials	8.0	12.1	1.3
Cash	-	0.5	-
SPP			**-3.5**
Financials	11.2	14.1	-4.0
Materials	2.6	5.2	-5.9
S&P 500			**-12.2**
Real estate	2.8	3.6	-20.8
Information technology	27.1	16.7	-23.0
Consumer discretionary	11.3	11.5	-32.5
Communications	8.7	6.3	-35.5
Total	100.0	100.0	

NON-NORTH AMERICAN EQUITIES

Top 10 Non-North American equity holdings					
		% of Portfolio			% of Portfolio
1.	Total Energies	3.1	6.	AIA Group	1.5
2.	BMW	2.2	7.	Smiths Group	1.5
3.	Novartis AG	1.7	8.	Holcim Ltd.	1.4
4.	National Australia Bank	1.6	9.	United Overseas Bank	1.4
5.	Samsung	1.6	10.	HSBC Holdings	1.4

The FTSE TMX Universe Bond Index, which measures Canadian Bond market returns, lost 11.7 per cent in the year. Challenges in this sector came from increased inflationary pressure creating uncertainty around interest rates, with central banks increasing rates in an attempt to combat inflation. The SPP fixed income portfolio had a return of -11.2 per cent. TDAM returned -11.4 per cent and Leith Wheeler returned -10.7 per cent.

	EAFE Weight (%)	Portfolio Weight (%)	Index Return (C$) (%)
Portugal	0.2	-	7.5
Hong Kong	3.0	4.5	2.2
Denmark	3.0	1.1	2.1
United Kingdom	15.3	17.7	2.1
Australia	7.9	3.8	1.6
Norway	0.8	2.8	-0.3
Spain	2.4	0.6	-0.5
Singapore	1.5	5.0	-4.5
Belgium	1.0	-	-6.1
France	11.9	7.4	-7.0
New Zealand	0.2	-	-7.4
Italy	2.4	1.2	-8.2
MCSI EAFE			**-8.2**
SPP			**-9.0**
Finland	1.0	1.2	-9.1
Japan	21.9	13.1	-10.6
Switzerland	10.1	7.5	-12.4
Germany	8.2	8.4	-16.7
Ireland	0.7	4.0	-20.9
Austria	0.2	0.5	-21.1
Israel	0.7	1.7	-21.3
Netherlands	4.3	2.7	-22.5
Sweden	3.3	1.6	-23.2
Other	-	0.1	-
Emerging markets	-	12.8	-
Cash	-	2.3	-
Total	100.0	100.0	

FIXED INCOME

	FTSE UBI Weight (%)	Portfolio Weight (%)	Index Return (%)
Federal	36.2	22.8	-9.3
Corporate	26.4	25.2	-9.9
SPP			**-11.2**
FTSE UBI			**-11.7**
Municipal	2.1	1.0	-13.5
Provincial	35.3	16.8	-15.0
High Yield	-	3.1	
Mortgages	-	29.8	-
Cash	-	1.3	-
Total	100.0	100.0	

REAL ESTATE

The Canada Quarterly Property Fund Index, which measures real estate market returns, returned 9.0 per cent in the year. Pandemic and e-commerce headwinds subsided and leasing activity remained robust in 2022. In addition, as interest rates rose the lack of housing affordability further drove demand which positively impacted real estate fundamentals. The SPP real estate portfolio (managed exclusively by TDAM) returned 7.4 per cent in the year.

INFRASTRUCTURE

The benchmark for the infrastructure portfolio is the Consumer Price Index (CPI) + 5 per cent. The benchmark rose to 11.3 per cent for 2022. The infrastructure portfolio returned 11.2 per cent in the year. TDAM returned 16.6 per cent for their portion of the infrastructure portfolio, and the remaining allocation to infrastructure was in transition to Fengate through the latter part of 2022, with returns to be reported in 2023. The Infrastructure portfolio's returns continue to be driven by value-add positions in renewable energy and power infrastructure.

MORTGAGES

The benchmark for the mortgage portfolio is 60 per cent FTSE Canada Short Term Bond Index + 40 per cent FTSE Canada Mid Term Bond Index + 0.5 per cent. The mortgage portfolio returned -0.2 per cent exceeding the benchmark return of -6.0 percent. The relatively high yield of commercial mortgages versus publicly traded bonds make mortgages an attractive asset holding.

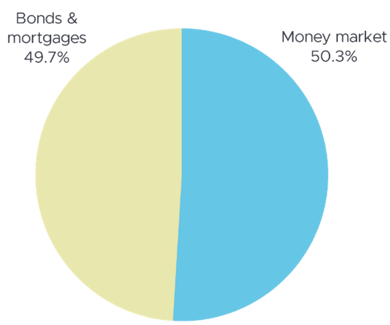
PRIVATE DEBT

The benchmark for the private debt portfolio is an absolute return of 6.0 per cent. The Ninepoint portfolio allocation was in transition during 2022 and returned 1.0 per cent in Q4.

CONTRIBUTION FUND – DIF RESULTS

The objective of the diversified income fund (DIF) is to provide a low risk option that offers income from diversified sources. The fund invests in Canadian short-term investments, bonds and mortgages with an equal target split between the two investment fund types. The FTSE Canada Universe Bond index returned -11.7 per cent. The FTSE Canada 91 Day T-bill index returned 1.8 per cent. At year-end the DIF held $6.9 million in assets. The DIF return to members after administration costs was -5.3 per cent in 2022.

Diversified income fund portfolio at December 31, 2022

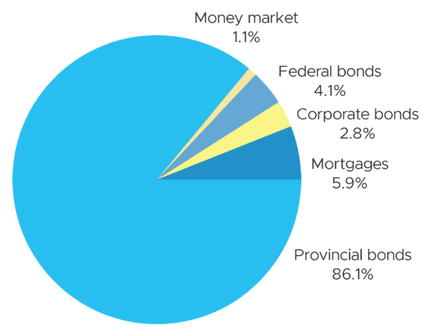


ANNUITY FUND

The annuity fund's (AF) purpose is to provide lifetime retirement income to members. The fund is structured to provide adequate cash to meet pension payments in the early years and to immunize the portfolio beyond. Immunization is a strategy that matches the duration of assets and liabilities to minimize the impact of changes in interest rates.

The AF consists of high-quality bonds and short-term investments. Total assets of the fund on December 31, 2022 were $107.6 million and there was an actuarial surplus of $5.4 million as at the same date. Bond interest rates rose throughout the year and therefore annuity rates also rose ranging between 1.9 per cent and 3.5 per cent for the year. The fund is managed by TDAM and the chart below shows its composition as of December 31, 2022.

Annuity fund portfolio at December 31, 2022



INVESTMENT POLICY SUMMARY

The Saskatchewan Pension Plan's aim is to create portfolios with risk/return characteristics suitable for members to grow their retirement savings.

The Plan has developed and implemented investment policies that communicate the investment philosophy to the pension plan investment managers. Each fund has its own Statement of Investment Policies and Goals (SIP&G) which describe the objectives and the overall risk philosophy of the fund.

The asset mix policy, or the Fund's allocation to different asset classes, is a key component of the SIP&G. It is through the asset allocation decision that SPP diversifies its investments across asset classes and attempts to balance the level of risk in each portfolio. The Board monitors, on an ongoing basis, the performance of the Funds, the investment managers and reviews the SIP&G for each fund at least once annually. The SIP&Gs are available on the SPP website at saskpension.com under Resources/ Annual Reports.

SPP has established two funds to hold the assets of the Plan: the CF and AF. The investments must be eligible investments as outlined in *The Pension Benefits Act and Regulations, the Income Tax Act* (Canada) and Regulations, and all subsequent amendments.

CONTRIBUTION FUND

The CF holds assets of non-retired members and VB members. The assets are accumulated under a defined contribution or capital accumulation arrangement.

Members have two options in which to invest their money, the BF and the DIF.

The BF is the default investment fund for new members. The objective of this fund is to accumulate the assets of members and invest these assets in a prudent, risk-controlled manner to provide for long-term growth. The fund balances the need for capital growth of younger members with the desire for capital preservation of older members by targeting a well-diversified portfolio with a slight bias to equities over fixed income investments.

The DIF is designed for members who are seeking a low risk option that offers income. The objective of the DIF is to reduce risk by investing in diversified sources of income, allowing members who typically have a shorter-term horizon, to reduce their equity exposure. Those who are willing to accept a lower return in order to minimize financial risk may choose this fund.

RISK MANAGEMENT

The Plan is exposed to a variety of financial risks as a result of its investment activities. In the BF, these risks include market risk, credit risk and liquidity risk. The DIF fund is subject to interest rate risk, inflation risk and credit risk. The Plan has implemented strategies to mitigate financial risks through its investment policy.

This policy contains risk management provisions that govern investment decisions and is designed to achieve the objectives of the Board.

These risks are closely monitored and managed by:

- diversifying the asset classes, diversifying within each individual asset class and diversifying by manager style;
- establishing quality, quantity and diversification guidelines;
- setting performance goals and objectives and establishing benchmark performance
- expectations to measure progress towards the attainment of these goals;
- retaining an investment consultant who monitors the investment performance of the fund on a quarterly basis and reports to the Board on investment manager-related issues that may have an impact on fund performance;
- having management conduct monthly reviews of compliance of each investment manager with the quality and quantity guidelines contained in the policy; and
- reviewing quarterly reports from investment managers on compliance with the Investment Policy.

INVESTMENT POLICY SUMMARY

ASSET MIX

The BF has adopted an asset mix that has a slight bias to equity investments as shown in the table below:

Asset Mix			
Asset Class (% of fair value)	Minimum %	Benchmark %	Maximum %
Equities			
Canadian	3	10	17
U.S.	8	15	22
Non-North American	8	15	22
Foreign	16	30	44
Total equities	25	40	55
Alternatives			
Real estate	-	10	20
Infrastructure	-	20	30
Total alternatives	-	30	40
Fixed income			
Bonds*	4	14	30
Mortgages	-	5	10
Private Debt	-	10	20
Short term	-	1	10
Total Fixed income	15	30	45
Total Fund		**100**	

**Includes core plus bond, multi credit, and global bond funds.*

An investment management structure has been implemented, and in 2022, SPP enhanced its portfolio diversification by adding two additional investment managers to the existing two partnerships with TDAM and Leith Wheeler. Ninepoint Partners LP (Ninepoint) and Fengate Capital Management Ltd. (Fengate) were added in 2022. Ninepoint received a private debt allocation of 10 per cent of the balanced fund, while Fengate handles 10 per cent of the infrastructure allocation. Diversification strengthens the overall risk-return profile, and while the original two investment managers provide active balanced fund approaches with offsetting management styles, private debt has stronger return predictions with lower volatility when compared to bonds and the allocation to Fengate diversifies and increases the Plan's infrastructure portfolio. Overall, the fund holds a diversified portfolio of publicly traded equities, real estate, infrastructure, private debt, fixed income and mortgages which increases the opportunity to add value.

The DIF invests between the pooled money market fund and fixed income pooled fund as seen below:

Asset Mix			
Asset Class (% of fair value)	Minimum %	Benchmark %	Maximum %
Short-term	40	50	60
Core Plus Bonds	40	50	60
Total Fund		**100**	

The pooled money market fund contains high quality money market instruments issued by governments, corporations, trusts and other commercial entities. All securities in the fund have a term to maturity of 365 days or less. The pooled fixed income securities fund is a diversified portfolio of Canadian fixed income securities, high yield securities and Canadian commercial real estate mortgages.

PERFORMANCE MEASUREMENT

The primary investment performance objective of each fund is to earn a rate of return that exceeds the rate of return earned on the benchmark portfolio. A second objective is to exceed the benchmark index in each of the asset classes in which the manager invests. Finally, the BF's long-term investment goal is to achieve a minimum annualized rate of return of three per cent in excess of the Canadian Consumer Price Index assessed over annualized rolling four-year periods. The DIF's long-term investment goal is to provide members with an investment option that provides a measure of protection from interest rate and credit risk by investing in diversified sources of income.

ANNUITY FUND

The AF holds assets of retired members transferred from the CF. Assets in the fund are used to provide annuity payments for the life of a retired member. Overall, the risk tolerance of the fund is low as the fund cannot tolerate loss of principal.

RISK MANAGEMENT

The objectives of the AF are:

- to structure the investment portfolio so that the Fund's net assets are immune to changes in the level of interest rates;
- to provide sufficient liquidity to ensure payments to retired members when due; and
- to ensure long-term solvency of the Fund.

The ability to meet this objective is affected by two factors:

- fluctuations in the value of the investment portfolio, which are caused by changes in financial markets (primarily credit, market and liquidity risks); and
- changes in the value of the Plan's accrued benefit obligation, which is driven by both economic and demographic factors.

To achieve its objectives, the fund invests in high-quality fixed income and short-term investments all denominated and payable in Canadian dollars. Interest rate risk is addressed by matching estimated future cash payments with interest and principal payments.

ACTUARIES' OPINION

Aon was retained by the Saskatchewan Pension Plan (the Plan) to perform an actuarial valuation of the assets and liabilities of the Saskatchewan Pension Plan on a funding basis as at December 31, 2022. The valuation of the Plans' actuarial assets and liabilities were based on:

- Membership and asset data compiled by the Saskatchewan Pension Plan as at December 31, 2022; and
- Assumptions about future events (economic and demographic) which were developed by Aon.

While the actuarial assumptions used to estimate liabilities for the Plan are, in our opinion, appropriate, the Plans' future experience will differ from the actuarial assumptions. Emerging experience differing from the assumptions will result in gains or losses that will be revealed in future valuations and will affect the financial position of the Plan.

We have tested the data for reasonableness and consistency with prior valuations and in our opinion the data is sufficient and reliable for the purposes of the valuation. We are also of the opinion that the methods employed in the valuation and assumptions used are appropriate. Our opinions have been given and our valuation has been performed in accordance with accepted actuarial practice in Canada.

David Larsen, FSA, FCIA
Fellow, Canadian Institute of Actuaries

Nathan Conway, FSA, FCIA
Fellow, Canadian Institute of Actuaries

February 17, 2023

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of the Saskatchewan Pension Plan, and all information in this annual report, have been prepared by Plan management which is responsible for the reliability, integrity and objectivity of the information provided. The statements have been prepared in accordance with Canadian accounting standards for pension plans and necessarily include some estimates based on management's judgment. Other financial information in this annual report is consistent with that provided in the financial statements.

The Plan's accounting system and related system of internal controls are designed to provide reasonable assurance that transactions are properly authorized and recorded, assets are safeguarded and financial records are properly maintained to provide reliable information for use in the preparation of financial statements.

The Board of the Plan is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board reviews and approves the financial statements.

These financial statements have been audited by the Plan's independent external auditor, KPMG LLP, in accordance with Canadian generally accepted auditing standards, on behalf of the Members of the Legislative Assembly of Saskatchewan.

Shannan Corey, B.Sc., CPHR
Executive Director

Cheryl Andreas, CPA, CGA
Director of Finance

February 28, 2023

KPMG

INDEPENDENT AUDITOR'S REPORT

To the Members of the Legislative Assembly, Province of Saskatchewan

OPINION

We have audited the financial statements of Saskatchewan Pension Plan (the Plan), which comprise:

- the statement of financial position as at December 31, 2022
- the statement of changes in net assets available for benefits for the year then ended
- the statement of changes in provision for annuity obligations for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter 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 December 31, 2022, and its changes in net assets available for benefits and its changes in annuity obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

BASIS FOR OPINION

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **''Auditor's Responsibilities for the Audit of the Financial Statements''** section of our auditor's 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.

OTHER INFORMATION

Management is responsible for the other information. Other information comprises:

- the 2022 Annual Report

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statement or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditor's report thereon, included in the 2022. Annual Report document as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of 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 generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, 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's 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.
- 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.

KPMG LLP

Chartered Professional Accountants

Regina, Canada

March 2, 2023

SASKATCHEWAN PENSION PLAN
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31 ($ THOUSANDS)

	2022			2021		
	Contribution Fund	Annuity Fund	Total	Contribution Fund	Annuity Fund	Total
ASSETS						
Investments (Notes 4 and 5)	$ 580,628	$ 107,643	$ 688,271	$ 600,756	$ 124,946	$ 725,702
Cash	5,174	2,680	7,854	2,662	1,455	4,117
Accrued investment income	312	655	967	220	764	984
Prepaid (deferred) retirement transfers	3,411	(3,411)	-	1,719	(1,719)	-
Prepaid annuity benefits	-	870	870	-	862	862
Right-of-use asset	358	35	393	666	69	735
Total assets	589,883	108,472	698,355	606,023	126,377	732,400
LIABILITIES						
Administrative expenses payable	564	75	639	537	57	594
Death and other benefits payable	710	142	852	179	145	324
Deferred member contributions	9	-	9	6	-	6
Lease liability	374	36	410	677	69	746
Total liabilities	1,657	253	1,910	1,399	271	1,670
NET ASSETS AVAILABLE FOR BENEFITS	588,226	108,219	696,445	604,624	126,106	730,730
Accrued obligations (Note 6)	588,226	102,792	691,018	604,624	120,860	725,484
SURPLUS	$ -	$ 5,427	$ 5,427	$ -	$ 5,246	$ 5,246

Commitments (Note 11)

(See accompanying notes to the financial statements)

Timothy W. Calibaba, ICD.D

Paul Jaspar, SVM, FCPA, FCA

SASKATCHEWAN PENSION PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED DECEMBER 31 ($ THOUSANDS)

	2022			2021		
	Contribution Fund	**Annuity Fund**	**Total**	**Contribution Fund**	**Annuity Fund**	**Total**
INCREASE IN ASSETS						
Investment income						
Interest and other income	$ 3,769	$ 4,082	$ 7,851	$ 2,476	$ 4,402	$ 6,878
Dividends	1,832	-	1,832	1,793	-	1,793
Pooled funds	17,437	328	17,765	25,171	-	25,171
	23,038	4,410	27,448	29,440	4,402	33,842
Change in fair value of investments						
Realized	6,395	(1,565)	4,830	6,894	969	7,863
Unrealized	(49,158)	(15,971)	(65,129)	29,975	(8,775)	21,200
Contributions	33,819	-	33,819	36,305	-	36,305
Transfers from Contribution Fund	-	6,714	6,714	-	6,649	6,649
Total increase in assets	14,094	(6,412)	7,682	102,614	3,245	105,859
DECREASE IN ASSETS						
Annuities to pensioners	-	10,245	10,245	-	10,285	10,285
Administrative expenses (Note 9)	5,082	503	5,585	5,185	536	5,721
Transfers to other plans	12,858	-	12,858	12,156	-	12,156
Transfers to Annuity Fund	6,714	-	6,714	6,649	-	6,649
Variable benefit to pensioners	4,229	-	4,229	2,088	-	2,088
Deaths and other benefits	1,609	727	2,336	735	922	1,657
Total decrease in assets	30,492	11,475	41,967	26,813	11,743	38,556
Increase (decrease) in net assets	(16,398)	(17,887)	(34,285)	75,801	(8,498)	67,303
NET ASSETS AVAILABLE FOR BENEFITS BEGINNING OF YEAR	604,624	126,106	730,730	528,823	134,604	663,427
NET ASSETS AVAILABLE FOR BENEFITS END OF YEAR	$ 588,226	$ 108,219	$ 696,445	$ 604,624	$ 126,106	$ 730,730

(See accompanying notes to the financial statements)

SASKATCHEWAN PENSION PLAN
STATEMENT OF CHANGES IN PROVISION FOR ANNUITY OBLIGATIONS
FOR THE YEAR ENDED DECEMBER 31 ($ THOUSANDS)

	2022	2021
PROVISION FOR ANNUITY OBLIGATIONS, BEGINNING OF YEAR	$ 120,860	$ 129,968
INCREASE IN PROVISION FOR ANNUITY OBLIGATIONS		
Interest on annuity obligations	2,514	1,885
Liability due to new annuities	7,191	6,752
	9,705	8,637
DECREASE IN PROVISION FOR ANNUITY OBLIGATIONS		
Mortality experience	236	90
Change in interest rate assumption	16,909	6,840
Annuities paid with interest	10,628	10,815
	27,773	17,745
Net decrease in provision for annuity obligations	(18,068)	(9,108)
PROVISION FOR ANNUITY OBLIGATIONS, END OF YEAR	$ 102,792	$ 120,860

(See accompanying notes to the financial statements)

1. Description of Plan

(a) General

The Saskatchewan Pension Plan (“SPP” or the “Plan”) was established by the Government of Saskatchewan to provide an opportunity for individuals with little or no access to private pensions or other retirement savings arrangements to save for their retirement. Details of the Plan are contained in The Saskatchewan Pension Plan Act (the “Act”) and Regulations.

(b) Funds established

The Plan is comprised of a Contribution Fund (CF) and an Annuity Fund (AF). These funds are managed by professional investment managers whose investment performance is measured against objectives established by the Saskatchewan Pension Plan Board of Trustees (Board) as outlined in the Statement of Investment Policies and Goals.

Contribution Fund (CF)

The CF is a defined contribution fund established to accumulate all contributions and earnings for all non-retired and variable benefit (VB) members. There are two investment options available to CF members, the Balanced Fund (BF) and the Diversified Income Fund (DIF). The asset mix of each fund is established based on the expected volatility of the underlying securities. The BF portfolio includes equities, bonds, mortgages, real estate, infrastructure and money market investments. The DIF holds Canadian bonds, mortgages and money market investments. Members of SPP have the option to invest in the BF, the DIF or a combination of both. New members who do not make a choice are invested in the Plan’s default option which is the BF. Members bear the risk of investment losses and are the beneficiaries of investment gains.

Annuity Fund (AF)

The AF was established to provide Plan members with the option of purchasing a life annuity at retirement. If a member elects to purchase an annuity from the AF, the individual account balance is transferred from the CF to the AF and a pension contract is established. The AF holds investments in high quality long-term bonds and mortgages. The AF also holds money market investments for current pension needs and to pay administration costs. Equity investments are not permitted. The investment portfolio is structured to limit the effect on the AF due to changes in the level of interest rates, to provide sufficient liquidity for annuity payments to retirees when due and to ensure long-term solvency.

(c) Contributions

Participation in the CF is voluntary and non-retired members can contribute up to the maximum allowable limit, subject to their available RRSP room. The 2022 contribution limit was $7,000 indexed annually to the change in the Year's Maximum Pensionable Earnings (YMPE). Contributions are vested immediately in the member’s name and are locked into the Plan until retirement. Both non-retired and VB members may also transfer $10,000 annually from an RRSP, RRIF or unlocked RPP to SPP.

(d) Retirement

Members may retire under the Plan as early as age 55 or delay retirement as late as age 71. A member’s accumulated account balance at retirement consists of member’s contributions to the Plan together with the investment income and changes to the fair value of the Plan’s investments allocable to the member as of that date under the terms of the Plan. Upon retirement, members may purchase an annuity through the AF, choose the VB pension option staying invested in the CF, or they may transfer all or part of their account to a locked-in pension option with another financial institution.

(e) Income tax

The Plan is a specified pension plan under the *Income Tax Act* and is not subject to income tax.

1. Description of plan, continued

(f) Death benefits

Should a member die prior to retirement, the funds in his or her account will be paid to the named beneficiary or estate in accordance with the member's designation and are subject to the *Income Tax Act* and applicable legislation. If the beneficiary is the member's spouse, the funds may be transferred to the spouse's SPP account or to their own registered retirement savings plan.

Should a member die after retirement, death benefits are payable according to the type of pension option the member selected at retirement.

(g) Withdrawal provisions

Members whose monthly pensions are less than the prescribed amount can withdraw their total pension in one lump sum instead of receiving monthly benefits. In 2022, the prescribed amount was $27.04 (2021: $25.67).

2. Basis of presentation

(a) Statement of compliance

The financial statements for the year ended December 31, 2022 have been prepared in accordance with Canadian accounting standards for pension plans as defined in the CPA Handbook, Section 4600, Pension Plans. For matters not addressed in Section 4600, International Financial Reporting Standards (IFRS) have been followed.

The financial statements were authorized and issued by the Board on March 2, 2023.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for investments, which are stated at fair value.

(c) Functional and presentation currency

These financial statements are presented in Canadian Dollars, which is the Plan's functional currency, and are rounded to the nearest thousand as noted.

3. Summary of significant accounting policies

(a) Valuation of investments

Investments are stated at fair value in the statement of financial position. The change in the fair value of investments from the beginning to end of each year is reflected in the statement of changes in net assets available for benefits.

The fair value of investments is determined as follows:

(i) Money market investments, comprising of treasury bills and bankers acceptances, are valued at cost, which together with accrued investment income, approximates fair value given the short-term nature of these investments.

(ii) Bonds and the multi credit pooled fund are valued at year-end quoted market prices in an active market when available. When quoted market prices are not available, the fair value is based on a valuation technique, being the present value of the principal and interest receivable discounted at appropriate market interest rates.

(iii) Equities are valued at year-end quoted prices from accredited stock exchanges on which the security is principally traded.

(iv) Pooled fund investments are valued at the unit price supplied by the pooled fund administrator, which represents the underlying net assets of the pooled fund at fair values determined using closing prices.

(v) Real estate pooled fund is valued using market values from independent appraisals.

(vi) Mortgage pooled fund is valued using spread-based pricing, over Government of Canada bonds, with a similar term to maturity.

(vii) Infrastructure pooled fund is valued using a discounted cash flow method by an independent third party valuation firm.

3. Summary of significant accounting policies, continued

(viii) Private debt pooled funds are valued at the fair value established by external investment managers. These fair values are prices that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

(b) Investment transaction and income recognition

Investment transactions are recorded as of the trade date (the date upon which the substantial risks and rewards are transferred). The Plan follows the accrual method for the recording of income and expenses. All transaction costs in respect of purchases and sales of investments are recorded as part of administrative expenses in the statement of changes in net assets available for benefits. Dividend income is recognized based on the date of record. Realized and unrealized gains and losses of investments are reflected in the change in fair value of investments.

(c) Fair value of other liabilities

Administrative expenses payable and death and other benefits payable are all short term in nature and, as such, their carrying value approximates fair value.

(d) Right-of-use asset and lease liability

The Plan has elected to apply practical expedients to not recognize right-of-use assets and lease liabilities for short term leases that have a lease term of 12 months of less, and leases of low-value assets. At inception of a contract, the Plan assesses whether a contract is, or contains a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Plan recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on 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 assets are subsequently depreciated using the straight-line method from the 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 the right-of-use assets are determined on the same basis as those in capital assets, which is over the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability. The lease liability is subsequently measured at the present value of future lease payments discounted at the Plan's incremental borrowing rate, adjusted as appropriate.

(e) Accrued obligations

The accrued obligation for the AF is determined based on an actuarial valuation prepared by Aon Inc., an independent firm of actuaries. The valuation is prepared annually at December 31. Any change in the liability pursuant to the valuation is recognized as an increase or decrease in that year's statement of changes in provision for annuity obligations.

(f) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate in effect at year-end. Investments, revenues and expenses are translated at the exchange rate in effect at the transaction date. The realized and unrealized gains and losses arising on translation are included in the change in fair value of investments.

(g) Use of estimates and judgments

The preparation of financial statements in accordance with Canadian accounting standards for pension plans requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses, and related disclosures of contingent assets and liabilities. Actual results could differ from these estimates. Significant estimates included in the financial statements relate to the valuation of investments (see Note 4 and Note 5) and the provision for annuity obligations (see Note 6).

4. Contribution fund investments

(a) Investments

The CF invests directly or through pooled funds in accordance with the Board's policy of asset diversification. The CF investments consist of the following:

($ thousands)	2022	2021
Bonds and bond pooled funds		
Federal	$ 20,065	$ 8,578
Provincial	12,959	9,777
Corporate	13,247	13,245
Multi credit pooled fund	-	9,197
Bond pooled fund	34,050	97,309
	80,321	138,106
Equities and equity pooled funds		
Canadian equities	32,333	39,222
Canadian equity pooled fund	28,023	38,815
United States equities	36,361	63,009
US equity pooled fund	51,991	65,672
International equity pooled funds	85,082	120,456
	233,790	327,174
Other		
Money market	7,033	4,711
Money market pooled funds	3,411	6,996
Infrastructure pooled fund	100,860	25,585
Real estate pooled fund	62,240	55,164
Mortgage pooled fund	35,671	43,020
Private debt pooled fund	57,302	-
	266,517	135,476
Total CF Investments	$ 580,628	$ 600,756

Bonds and bond pooled funds

The portfolio contains bonds that the CF holds directly or in pooled funds, including multi credit bonds, private placement bonds and bonds issued by foreign entities, all denominated and paid in Canadian dollars. Except for the multi credit pooled bond fund, bonds are subject to a minimum quality standard of "BBB" or equivalent, as rated by a recognized credit rating service at the time of purchase. No more than 20% of the fair market value of the bond portfolio may be held in "BBB" issues. An investment in a pooled fund cannot exceed 10% of the fair market value of that fund. The Bond pooled fund has bond future exchange contracts in place to manage interest rate risk.

Equities and equity pooled funds

Equity holdings are made directly or through pooled funds. No one holding of an individual stock may represent more than 10% of the fair market value of the equity portfolio or more than 10% of the voting stock of the issuer. Pooled funds have no fixed distribution rates and returns are based on the investment performance attained by the fund manager. International equity pooled funds may use derivatives for hedging currency and to replicate indices.

Money market and money market pooled funds

Money market investments are defined as securities purchased with a maturity of one year or less. Only securities with an "R-1" rating, as rated by a recognized bond rating agency at the time of purchase, are permissible.

4. Contribution fund investments, continued

Infrastructure pooled fund

The assets of the infrastructure pooled fund investments are global infrastructure investments diversified by geographic location with a core risk strategy.

Real estate pooled fund

The real estate pooled fund consists of Canadian real estate and is diversified by property type and geographic location.

Mortgage pooled fund

The assets of the mortgage pooled fund include first and subsequent priority mortgages in Canadian real estate.

Private debt pooled fund

The assets of the private debt pooled fund include senior secured and first lien loans.

(b) Fair value measurements

The Plan has classified its investments using the hierarchy that reflects the significance of the inputs used in determining their measurements.

Under the classification structure, financial instruments recorded at unadjusted quoted prices in active markets for identical assets or liabilities are classified as Level 1. Instruments valued using inputs other than quoted prices that are observable for the asset or liability either directly or indirectly are classified as Level 2. Instruments valued using inputs that are not based on observable market data are classified as Level 3. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The following table illustrates the classification of the CF's financial instruments within the fair value hierarchy as of December 31:

($ thousands)	2022			
	Level 1	Level 2	Level 3	Total
Money market and money market pooled funds	$ -	$ 10,444	$ -	$ 10,444
Bonds and bond pooled funds	-	80,321	-	80,321
Equities and equity pooled funds	68,694	165,096	-	233,790
Infrastructure pooled fund	-	-	100,860	100,860
Mortgage pooled fund	-	-	35,671	35,671
Real estate pooled fund	-	-	62,240	62,240
Private debt pooled fund	-	-	57,302	57,302
	$ 68,694	$ 255,861	$ 256,073	$ 580,628

($ thousands)	2021			
	Level 1	Level 2	Level 3	Total
Money market and money market pooled funds	$ -	$ 11,707	$ -	$ 11,707
Bonds and bond pooled funds	-	138,106	-	138,106
Equities and equity pooled funds	102,231	224,943	-	327,174
Infrastructure pooled fund	-	-	25,585	25,585
Mortgage pooled fund	-	-	43,020	43,020
Real estate pooled fund	-	-	55,164	55,164
	$ 102,231	$ 374,756	$ 123,769	$ 600,756

4. Contribution fund investments, continued

Below is a reconciliation of the level 3 fair value measurements for the year ended December 31:

($ thousands)

	Infrastructure pooled funds	Mortgage pooled funds	Real estate pooled funds	Private debt pooled funds	Total
Balance at December 31, 2021	$ 25,585	$ 43,020	$ 55,164	$ -	$ 123,769
Purchases	69,586	1,236	2,865	58,300	131,987
Sales	-	(6,632)	-	-	(6,632)
Unrealized gains (losses)	5,689	(1,953)	4,211	(998)	6,949
Balance at December 31, 2022	$ 100,860	$ 35,671	$ 62,240	$ 57,302	$ 256,073

($ thousands)

	Infrastructure pooled funds	Mortgage pooled funds	Real estate pooled funds	Private debt pooled funds	Total
Balance at December 31, 2020	$ 20,519	$ 23,338	$ 48,130	$ -	$ 91,987
Purchases	3,006	20,035	-	-	23,041
Unrealized gains (losses)	2,060	(353)	7,034	-	8,741
Balance at December 31, 2021	$ 25,585	$ 43,020	$ 55,164	$ -	$ 123,769

(c) Financial risk management

The nature of the Plan's operations results in a Statement of financial position that consists primarily of financial instruments. The risks that arise are credit risk, market risk (consisting of foreign currency risk, interest rate risk and equity price risk) and liquidity risk.

These risks are managed by having an investment policy which is subject to review and approval by the Board annually. The investment policies provide guidelines to the Plan's investment managers for the asset mix of the portfolio regarding quality and quantity of permitted investments in order to achieve sufficient asset growth on a risk-controlled basis. The minimum, maximum and target weighting for each class is clearly established in the policy. The Board reviews compliance reports from its investment managers as to their compliance with the investment policies.

(i) Credit risk

Credit risk is the risk of loss arising from the failure of a counter party to fully honour its financial obligation with the Plan, including its inability or unwillingness to pay borrowed principal and interest when they come due. Credit risk can also lead to losses when issuers and debtors are downgraded by credit rating agencies, usually leading to a fall in the market value of the debtor's obligation. The Plan has put in place investment policies and procedures with established investment criteria designed to manage credit risk by setting limits to credit exposure through quality, quantity and diversification guidelines set out in the Investment Policy and by monitoring compliance to those guidelines. The credit quality of financial assets is generally assessed by reference to external credit rating.

4. Contribution fund investments, continued

The Plan's most significant credit risk exposure arises from its investments in interest bearing investments. At December 31 the maximum credit risk from interest bearing investments to which the CF is exposed is summarized as follows:

($ thousands)		2022		2021
Cash	$	5,174	$	2,662
Accrued interest income		258		126
Money market and money market pooled funds		10,444		11,707
Bonds and bond pooled funds		80,321		138,106
Private debt pooled fund		57,302		-
Mortgage pooled fund		35,671		43,020
	$	189,170	$	195,621

The credit ratings of the bond portfolio as of December 31 are summarized as follows:

($ thousands)		2022			2021	
Credit rating		Fair value	% of Portfolio		Fair value	% of Portfolio
AAA	$	20,376	44.0%	$	8,987	28.5%
AA		17,531	37.9%		13,629	43.1%
A		4,580	9.9%		5,065	16.0%
BBB		3,784	8.2%		3,919	12.4%
	$	46,271	100.0%	$	31,600	100.0%

Other than the Government of Canada, no single issuer represents more than 13.7% (2021: 20.1%) of the overall bond portfolio. Fixed rate bonds have effective interest rates ranging between 3.2% and 7.6% (2021: 0.2% and 4.2%) and coupon rates ranging between 0.5% and 6.3% (2021: 0.4% and 6.3%).

(ii) Market risk

Market risk is the risk that fair value of an investment will fluctuate as a result of changes in market prices. Market risk is comprised of three types of risk which include foreign currency risk, interest rate risk and equity price risk. Significant volatility in interest rates, equity values and the value of the Canadian dollar against the currencies in which the Plan's investments are held can impact the value of the Plan's investments.

Foreign currency risk

The Plan is exposed to currency risk through the holdings of foreign equities and foreign equity pooled funds where investment values may fluctuate due to changes in foreign exchange rates. The Plan manages foreign currency risk by limiting investment in foreign funds through the asset mix guidelines set out in the Plan's Investment Policy and by investing in securities that are strategically distributed over several geographic areas to limit exposure to any one foreign currency.

At December 31, 2022, the Plan's foreign currency exposure in U.S. equities was $36.3 million (2021: $63.0 million). If the Canadian dollar had strengthened or weakened by 10% in relation to the U.S. dollar exchange rate, with all other variables held constant, the net assets would have decreased or increased respectively, by approximately $3.6 million (2021: $6.3 million). In practice, the actual trading results may differ from this approximate sensitivity analysis.

4. Contribution fund investments, continued

Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of a change in market interest rates. The Plan manages interest rate risk by establishing a target asset mix of interest-sensitive investments and investments subject to other risks. Investments are actively managed to mitigate or take advantage of changes in interest rates.

The CF holds approximately 19.9% (2021: 30.1%) of its investments in fixed income securities. As of December 31, 2022, a 1.0% increase in interest rates (all else being equal) would result in a decline in the fair market value of bonds of 5.4% (2021: 6.0%).

The table below summarizes the CF's exposure to interest rate risk by the remaining term to maturity:

($ thousands)	2022			
Years to maturity	Federal	Provincial	Corporate	Fair value
Within 1	$ -	$ -	$ -	$ -
1 to 5	6,495	-	5,924	12,419
6 to 10	10,793	4,726	4,041	19,560
Over 10	2,777	8,233	3,282	14,292
	$ 20,065	$ 12,959	$ 13,247	$ 46,271

($ thousands)	2021			
Years to maturity	Federal	Provincial	Corporate	Fair value
Within 1	$ 475	$ -	$ 329	$ 804
1 to 5	4,718	509	6,754	11,981
6 to 10	1,955	1,314	2,950	6,219
Over 10	1,430	7,954	3,212	12,596
	$ 8,578	$ 9,777	$ 13,245	$ 31,600

Equity price risk

The Plan is exposed to changes in equity prices in global markets. The Board's policy is to invest in a diversified portfolio of investments. No one investee or related group of investees represents greater than 10% of the total book value of the assets of the Plan.

Equities and equity pooled funds comprise 40.3% (2021: 54.5%) of the Plan's total investments. At December 31, if the market prices, as measured by the benchmark indices, increased or decreased by 10%, with all other variables held constant, the Plan's net assets would have increased or decreased by approximately:

($ thousands)	2022 Impact	2021 Impact
S&P/TSX Capped Composite Index	$ 6,036	$ 7,804
S&P 500 Index (CAD)	8,835	12,868
MSCI EAFE Index (CAD)	8,508	12,046

4. Contribution fund investments, continued

(iii) Liquidity risk

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity requirements are managed through income generated from investments, monthly contributions made by members and by investing in publicly traded liquid assets that are easily sold and converted to cash. These sources are used to pay benefits, fund operating expenses and make transfers at retirement.

(d) Investment performance

The following is a summary of the CF investment performance before administration expenses:

	Annual Return		Rolling Four Year Return	
	2022	2021	2022	2021
Portfolio return	-3.1%	12.5%	8.2%	8.8%
Benchmark return	-4.8%	11.4%	6.5%	8.0%

The portfolio return is a time-weighted rate of return calculation. The benchmark return aggregates the actual market index returns according to the weightings specified in the Investment Policy. The indices used to measure performance are Canadian equities: S&P/TSX Capped Composite Index; U.S. equities: S&P 500 Index (Cdn $); Non-North American equities: MSCI EAFE Index (Cdn $); Bonds: FTSE Canadian Universe Bond Index, FTSE Short-term bond index and FTSE TMX 91-day T-Bill Index.

5. Annuity fund investments

(a) Investments

The AF investments consist of the following:

($ thousands)	2022	2021
Bonds		
Federal	$ 4,390	$ 5,171
Provincial	92,797	105,297
Corporate	3,006	5,037
	100,193	115,505
Other		
Money market	1,146	3,122
Mortgage pooled fund	6,304	6,319
	7,450	9,441
Total AF Investments	$ 107,643	$ 124,946

Bonds

The portfolio contains bonds that the Plan holds directly, all denominated and paid in Canadian dollars. Bonds are subject to a minimum quality standard of “BBB” or equivalent as rated by a recognized credit rating service at the time of purchase and no more than 15% of the fair market value of the total bond portfolio may be held in “BBB” issues. Corporate bonds must meet a minimum quality standard of “A” at the time of purchase. The combined fair market value of corporate bonds and mortgage holdings shall not exceed 10% of the AF’s fair market value, with the limit reviewed annually relative to the AF’s funding position.

5. Annuity fund investments, continued

Money market

Money market investments are defined as securities purchased with a maturity of one year or less. Only securities with an "R-1" rating, as rated by a recognized bond rating agency at the time of purchase, are permissible

Mortgage pooled fund

The assets of the mortgage pooled fund include first and subsequent priority mortgages in Canadian real estate.

(b) Fair value measurements

The Plan has classified its fair valued financial instrument holdings using the hierarchy that reflects the significance of the inputs used in determining their measurements.

Under the classification structure, financial instruments recorded at unadjusted quoted prices in active markets for identical assets or liabilities are classified as Level 1. Instruments valued using inputs other than quoted prices that are observable for the asset or liability either directly or indirectly are classified as Level 2. Instruments valued using inputs that are not based on observable market data are classified as Level 3. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The following table illustrates the classification of the AF's financial instruments within the fair value hierarchy as of December 31:

($ thousands)	2022			
	Level 1	Level 2	Level 3	Total
Bonds	$ -	$ 100,193	$ -	$ 100,193
Money market	-	1,146	-	1,146
Mortgage pooled fund	-	-	6,304	6,304
	$ -	$ 101,339	$ 6,304	$ 107,643

($ thousands)	2021			
	Level 1	Level 2	Level 3	Total
Bonds	$ -	$ 115,505	$ -	$ 115,505
Money market	-	3,122	-	3,122
Mortgage pooled fund	-	-	6,319	6,319
	$ -	$ 118,627	$ 6,319	$ 124,946

5. Annuity fund investments, continued

Below is a reconciliation of the level 3 fair value measurements for the year ended December 31:

($ thousands)

		Total
Balance at December 31, 2021	$	6,319
Purchases		328
Unrealized losses		(343)
Balance at December 31, 2022	$	6,304

($ thousands)

		Total
Balance at December 31, 2020	$	6,118
Purchases		278
Unrealized losses		(77)
Balance at December 31, 2021	$	6,319

(c) Financial risk management

The investment objectives of the AF are to maximize retirement wealth, ensure sufficient assets to meet future pension obligations and to generate enough cash flow to meet pension obligations. The AF is exposed to a variety of financial risks as a result of its investment activities and has formal policies and procedures that govern the management of credit, market and liquidity risk.

These risks are managed by having an investment policy, which is reviewed and approved annually by the Board. The investment policy provides guidelines to the AF's investment manager for the asset mix of the portfolio regarding quality and quantity of permitted investments. Funds transferred from the CF to the AF are used to purchase long-term bonds. The combined duration of the bonds purchased is matched to the duration of the annuities purchased from the AF. Under the policy of the Plan such bonds are generally held to maturity.

(i) Credit risk

Credit risk arises from the potential for issuers of securities to default on their contractual obligation to the AF. The Plan limits credit risk through quality, quantity and diversification guidelines set out in the Investment Policy and by monitoring compliance to those guidelines. At December 31, 2022 the Fund's maximum credit risk exposure relates to cash, bonds, accrued interest income and money market investments totaling $110,978,315 (2021: $127,165,067). At year end the AF held no bonds with a BBB rating. Other than the Government of Canada, no single issuer represents more than 33.6% (2021: 32.1%) of the overall bond portfolio. Fixed rate bonds have effective interest rates ranging between 3.3% and 6.3% (2021: 0.3% and 2.7%).

5. Annuity fund investments, continued

The credit ratings of the bond portfolio as of December 31 are summarized as follows:

($ thousands)	2022		2021	
Credit rating	Fair value	% of Portfolio	Fair value	% of Portfolio
AAA	$ 4,390	4.4%	$ 5,171	4.5%
AA	78,710	78.5%	90,552	78.4%
A	17,093	17.1%	19,782	17.1%
	$ 100,193	100.0%	$ 115,505	100.0%

(ii) Market risk

Market risk is the risk that the fair value of an investment will fluctuate as a result of changes in market prices. Market risk is comprised of three types of risk which include foreign exchange risk, interest rate risk and equity price risk. The investment policy addresses risk through an investment approach that allows investments solely in high quality fixed income instruments denominated in Canadian dollars. This mitigates the foreign exchange risk and equity price risk.

Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Fund's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Fund's assets and liabilities. Interest rate risk is managed by investing in fixed income investments that provide cash flows that match payments to annuitants.

The AF holds 100.0% (2021: 100.0%) of its investments in fixed income securities. As of December 31, 2022, a 1.0% increase in nominal interest rates (all else being equal) would result in a decline in the fair market value of bonds of 7.0% (2021: 7.7%).

The table below summarizes the AF's exposure to interest rate risk by the remaining term to maturity:

($ thousands)	2022			
Years to maturity	Federal	Provincial	Corporate	Fair value
Within 1	$ -	$ 6,018	$ -	$ 6,018
1 to 5	1,822	18,816	3,005	23,643
6 to 10	-	27,259	-	27,259
Over 10	2,568	40,705	-	43,273
	$ 4,390	$ 92,798	$ 3,005	$ 100,193

($ thousands)	2021			
Years to maturity	Federal	Provincial	Corporate	Fair value
Within 1	$ -	$ 4,480	$ 1,782	$ 6,262
1 to 5	44	22,432	3,255	25,731
6 to 10	2,027	29,876	-	31,903
Over 10	3,100	48,509	-	51,609
	$ 5,171	$ 105,297	$ 5,037	$ 115,505

5. Annuity fund investments, continued

(iii) Liquidity risk

The AF is exposed to liquidity risk through its responsibility to pay annuities on a timely basis.

The AF manages liquidity risk by maintaining adequate cash and cash equivalent balances. It ensures there is sufficient cash to meet its obligations by continuously monitoring and reviewing actual and forecasted cash flows, and by matching the maturity profile of investment assets to operating needs.

6. Provision for annuity obligations

The provision for annuity obligations is the actuarial present value of the future expected annuity benefit obligation to pensioners as determined by Aon Inc., an independent actuary. The actuarial valuation is a complex process requiring professional judgment on the part of the actuary and must ensure consistency with the asset valuation methodology. Measurement of this amount involves uncertainty, as estimates must be made of future interest rates and mortality rates.

The valuation method used to calculate the basic pension liability of retired members was the single premium actuarial cost method. An interest rate of 4.00% (2021: 2.08%) was used to determine the liabilities as of December 31, 2022. The mortality table assumption used the 2014 CPM Combined table with the MI-2017 improvement scale for the actuarial valuation as it closely reflects actual experience of the Plan. The duration of annuity payments is 8.0 years.

Pension annuities are issued based on the prevailing interest rates at the dates of retirement of the annuitants. The duration of the investments purchased are matched with the duration of the liabilities. As such, the risk to the Plan relates to:

(i) any differences, which may be material, between the estimated and actual life expectancy of the annuitant group which may cause the Plan to have insufficient funds to meet the liability or more funds than required; and
(ii) reinvestment of assets at maturity at rates greater than or less than rates used in determining the annuities.
To manage this risk, the Plan uses investment managers and actuaries to assist in determining the investment strategy.

Further, subsection 7(3.2) of the Act requires any amount by which the liabilities of the AF exceeds the assets of the AF to be a charge on and payable from the General Revenue Fund of the Province of Saskatchewan. At December 31, 2022 the AF was in a surplus position.

Actual results may vary from the assumptions used. If the interest rate used increases by 1.0%, the provision for annuity benefits decreases by $7,193,000 (2021: $9,527,000) or if the interest rate decreases by 1.0%, the provision for annuity obligation increases by $8,234,000 (2021: $11,051,000). If the average mortality age increases by 1 year, the provision for annuity benefits increases by $5,742,000 (2021: $7,649,000).

The expected cash inflows from investment income and maturity payments and the expected outflows to pay annuity benefits are based on actual dollar forecasts without any provision for inflation. The total estimated cash outflows for the next five years are $47.0 million and for the next ten years $85.1 million.

The next actuarial valuation is required as of December 31, 2023.

7. Earnings allocation to members

Investment income plus the change in the market value of investments less administration expenses are allocated monthly to members in the CF.

8. Related party transactions

The Plan conducts a portion of its transactions with Saskatchewan Crown-controlled agencies, ministries and corporations. These transactions are at the agreed upon exchange rates and are settled on normal trade terms. During the year, the Plan incurred operating expenses of $267,316 (2021: $277,375) and at year end had $5,009 (2021: $4,117) in accounts payable with these related parties.

At December 31, 2022, the Plan has $2,887,404 (2021: $4,291,593) invested in Province of Saskatchewan bonds with varying maturity dates and interest rates. Interest income during the year was $155,524 (2021: $259,096) and change in the fair market value of these bonds was an increase of $179,105 (2021: decrease of $328,560).

9. Administrative expenses

Administrative expenses are allocated to the Funds as prescribed by Board policy.

($ thousands)		2022		2021
Administration expenses	$	2,240	$	2,431
Investment management fees		1,843		1,863
Salaries and benefits		1,381		1,322
Custodial fees		66		50
Audit fees		44		40
Actuarial fee		11		15
Total administrative expenses	$	5,585	$	5,721

10. Investment management fees

Investment management fees incurred directly by the Plan are reported in the Statement of Changes in Net Assets Available for Benefits. In addition, indirect investment fees are included within the unrealized market value gain on the Statement of Changes in Net Assets Available for benefits. Total investment management fees incurred by the Plan are:

($ thousands)		2022		2021
Incurred directly by the Plan	$	1,843	$	1,863
Incurred indirectly by the Plan		638		-
Total invesment fees	$	2,481	$	1,863

11. Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Plan. The compensation to directors and other members of key management personnel are included in the administrative expenses of the Plan and are summarized below.

($ thousands)		2022		2021
Short-term employee benefits	$	223	$	247
Post-employment retirement benefits		11		12
	$	234	$	259

12. Capital management

The Plan receives new capital from member contributions. The Plan also benefits from income and fair market value increases on invested capital. The Plan's capital is invested in a number of asset classes including equities, fixed income, pooled funds and short-term investments. The Board of Trustees has delegated the operational investment decisions to our investment managers based on investment mandates as defined in the Plan's Statement of Investment Policies and Goals.

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