ANNUAL REPORT 2022

SHEPP

People. Pensions. Results.

Key Service Providers

ACTUARY
- Aon

AUDITOR
- KPMG LLP

CUSTODIAN
- State Street Trust Company Canada

INVESTMENT CONSULTANT
- Aon

SOLICITOR
- Lawson Lundell LLP
- Blake, Cassels & Graydon LLP

INVESTMENT MANAGERS
- Aeolus Capital Management
- AlpInvest Partners
- Baillie Gifford & Co
- Basalt Infrastructure Partners
- BentallGreenOak
- BlackRock Asset Management
- Brevan Howard
- Brookfield Asset Management
- Causeway Capital Management
- CB Richard Ellis
- Christofferson, Robb & Co
- Connor, Clark & Lunn Investment Management
- Foyston, Gordon & Payne
- Global Infrastructure Partners
- I Squared Capital
- IFM Investors
- Invesco Ltd.
- JP Morgan Asset Management
- Kohlberg Kravis Roberts & Co
- Macquarie Infrastructure and Real Assets
- Manulife Investment Management
- Meridiam Infrastructure
- Nephila Capital
- Pantheon Global Infrastructure
- Phillips, Hager & North Investment Management
- Systematica Investments
- TD Asset Management
- Unigestion Asset Management
- Wellington Management

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Message from the Board

At SHEPP, a pension promised is a pension paid. Saying that always brings us pride, and this year it is truer than ever.

As a Board, our duty to act in the best interest of Plan members guides our decision making, ensuring that healthcare workers throughout Saskatchewan can depend on a stable pension plan to provide them with the retirement income security they deserve.

Despite post-pandemic economic headwinds and the stress on financial markets caused by high inflation and rising interest rates, the Plan's investments performed well ahead of benchmark in 2022, and the Plan's funded position remained strong — neither of which happened by accident.

We have focused on building a resilient investment portfolio that surpassed expectations for last year, in what was an extremely challenging environment. While that in itself is a great accomplishment, it is also proof that our diversification strategy is providing the stability needed to ensure a well-funded, responsible and sustainable plan, positioned to succeed even during tough economic times. This can be attributed to long-term strategies and incremental changes that are measured, thoughtfully planned and executed with purpose.

Although our approach may not make headlines, SHEPP members can take comfort in knowing the Plan is working as it is supposed to: delivering on its promise to provide secure, predictable, lifetime retirement income.

In highlighting the strength and resilience of the Plan we must recognise the exceptional work of the Administration. On behalf of the entire Board, we thank you all for your dedication and care in ensuring that the Plan is well-managed and secure as we celebrate 20 years of working together as SHEPP.

Our members can rest assured knowing that their pension is in good hands. With strong governance, management, and oversight, a pension promised is a pension paid.

Jeff Stepan
Chair

Andrew Huculak
Vice Chair

Message from the CEO

Operating with a clear strategic plan is more than the results on our year-end balance sheet. It is a commitment to think bigger, respond to change and act in the best interest of our members.

Our members understand the importance of putting people first. Thanks to them, and healthcare workers across the globe, we have all gained a deeper appreciation for the vital role they play in our lives and in our communities. The best gratitude we can express is a clear strategy for the future of SHEPP and a pension that gives them peace of mind.

In 2022, SHEPP began a new path forward with a five-year rolling strategic plan. Our new plan centres around providing a flexible and responsive approach to risk management by continuously assessing our strategic objectives against changes in our operating environment to ensure we remain on track.

We're proud to report many accomplishments in the first year of our new strategic cycle, including: an investment portfolio built to handle economic turbulence, improved business continuity and information security infrastructure through migration to cloud technologies, and a supportive organisational culture that fosters high performance and prioritises well-being.

These results are a direct outcome of the hard work, talent and heart of our team at SHEPP. It continues to be my pleasure to work with such highly engaged, knowledgeable experts, who work together to ensure that our members' pensions are secured for their retirement. That commitment to our values and mission is why over the last 60 years, what began as a modest retirement plan has flourished into the largest defined benefit plan in Saskatchewan — and the only industry-wide pension plan for healthcare workers in the province.

My appreciation also goes out to the Board of Trustees and Partner Committees for their dedication to maintaining good governance and excellence in the provision of pension benefits. It is your collective commitment that drives our success and enables us to achieve our goals.

People, pensions, results is more than a tagline, it's a promise that our members can count on. This year, and every year.

Alison McKay

Alison McKay
Chief Executive Officer

Plan Overview

About SHEPP

Established in 1962, the Saskatchewan Healthcare Employees' Pension Plan (SHEPP) has grown into the largest defined benefit pension plan in the province and the only industry-wide pension plan serving the healthcare sector — one of Saskatchewan's largest and most valued workforces.

SHEPP is a multi-employer defined benefit pension plan with 48 participating employers and over 63,000 members either receiving or entitled to a pension benefit under the Plan. Today, one in every 15 people employed in Saskatchewan is a SHEPP member supporting the health and well-being of communities across the province.

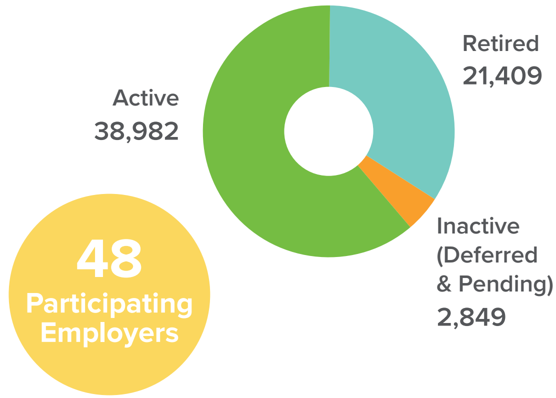
SHEPP's office is in Regina, situated on Treaty 4 Territory and the Homeland of the Métis Nation.

The Plan Design

The defined benefit design means a SHEPP pension is predictable. It provides members with a secure lifetime pension, calculated using a formula based on their four-year highest average eligible earnings and years of credited service at retirement. Once vested in the Plan, SHEPP members are entitled to receive a monthly pension they'll never outlive. The Plan also provides early retirement, disability, death and termination benefits.

Plan Membership Profile

2022 Total Members: 63,240



The Plan is funded by contributions from active Plan members and participating employers, and by the investment earnings of the Plan's assets.

SHEPP is jointly sponsored and governed by a Board of Trustees and Partner Committees. The Agreement and Declaration of Trust identifies the roles and responsibilities of these decision-making bodies. The Plan is administered in compliance with the Plan Text, *The Pension Benefits Act*, 1992 (Saskatchewan) and the *Income Tax Act* (Canada).

One in every 15 people employed in **Saskatchewan** is a **SHEPP member**

OUR MISSION

To serve the best interests of our members.

OUR VISION

Excellence in pension plan administration, governance, and the provision of benefits.

OUR VALUES

People.

We are people driven and member focused.

Pensions.

We are passionate about pensions.

Results.

We embrace quality and innovation.

2022 HIGHLIGHTS

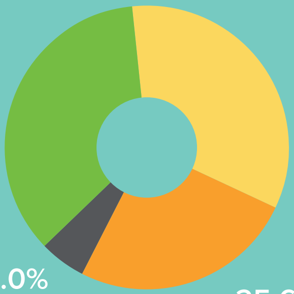
63,240
Total Members

3,866
New Members

43.5
Average Age of Active Members

New Retirements

2022 Total New Retirements Processed: 1,253



$9.3 Billion in Assets

98% funded on a going-concern basis

Investment performance 3.1% over benchmark

Average new monthly bridge benefit:
$606.03

Average new lifetime monthly pension:
$1,785.14

Plan Funding

Best Estimate Year-end Results

Throughout 2022, inflation had a significant influence on market dynamics. Despite initial predictions of its short-lived nature, high levels of inflation persisted, leading to a surge of interest rate hikes. This, along with the conflict in Ukraine, made for a turbulent year in investments, ultimately resulting in a negative overall return for the Fund.

Although a negative investment return led to a decrease in total Plan assets year-over-year, a corresponding decrease in liabilities, due to high interest rates, tempered the overall impact on the best estimate funded status of the Plan.

At the end of 2022, the total market value of the Fund was approximately $9.3 billion. Year-over-year, net assets decreased by approximately $439.7 million and pension liabilities decreased by $277.1 million, resulting in a surplus of $1.4 billion on a best estimate basis at year-end. While the best-estimate results are an important financial measure, it is the going-concern measure that drives funding decisions, including the required contribution rate.

Going-Concern Funded Status

In a defined benefit plan, pension obligations exist indefinitely, therefore Plan funding is measured on a going-concern basis which assumes operations continue in perpetuity. The long-term sustainability of the Plan is the focus of the Board's funding strategy, which incorporates margins as a key funding tool.

The going-concern funded status includes a margin in the balance sheet, designed to protect the existing benefits accrued by Plan members, and a margin in the contribution rate used to prevent frequent fluctuations in contribution rates. Together these margins help the Board achieve its top two funding objectives: benefit security and contribution stability.

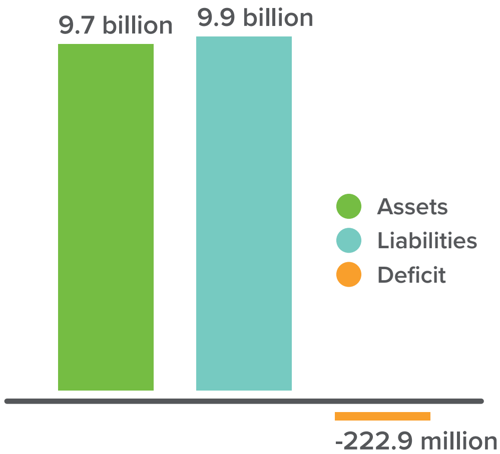
Providing lifetime pensions and funding a defined benefit pension plan requires careful monitoring and continued oversight. A valuation is one way that SHEPP's Board of Trustees regularly monitors the Plan's funded status and performance to ensure the security of member benefits now and into the future.

In 2022, SHEPP filed an actuarial valuation as at December 31, 2021, which showed an improvement in the Plan's funded status, now at 98% (from 97% in 2020) on a going-concern basis. The unfunded liability was reduced to $223 million (from $268 million in 2020) – a difference of $45 million.

Under *The Pension Benefits Act*, 1992 (Saskatchewan), SHEPP is required to perform an actuarial valuation at least once every three years but may file more often if desired. In recent years, the Board has filed valuations more frequently, which has been advantageous for carefully monitoring the Plan's funded position during times of volatility in the financial markets.

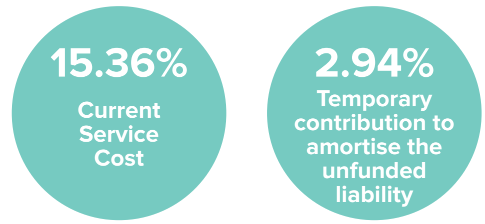
Going-Concern Financial Position

(as at December 31, 2021)



SHEPP Contribution Rate

(as a percentage of payroll)



Total Combined Contribution Rate 18.30%

SHEPP has steadily improved its going-concern funded status since 2010, when the current unfunded liability was identified as a direct result of the 2008 global financial crisis. The Board's long-term focus, funding strategy and investment policies, among other factors, have enabled the Plan to make meaningful progress toward eliminating the funding deficit, which must be fully amortised by December 31, 2025.

SHEPP's governance structure is such that the Partner Committees bear the responsibility for pension benefits, while the Board of Trustees is responsible for funding these benefits. Therefore, the Board does not have the authority to make fundamental changes to pension benefits. In the event of a funding deficit, the only recourse available to the Board is to raise contribution rates to ensure that the deficit is fully funded within the timeframe specified by legislation. The Fund's performance has resulted in contribution rates remaining stable and unchanged since 2014, when the combined contribution rate was set at 18.3% of payroll.

Long-term Sustainability

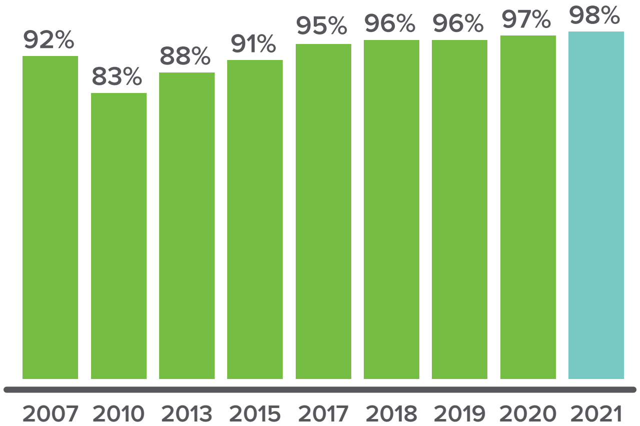
Despite uncertainty in the global economy, SHEPP's Board and Administration have remained steadfast in their commitment to a sustainable, long-term funding strategy. Although experiencing negative returns in 2022, SHEPP managed to outperform its benchmark, exhibiting its resilience in the face of market turbulence and inflationary pressures. This demonstrated ability to navigate short-term disruptions, in contrast to the 2008 economic crisis, has strengthened the Board's confidence in its diversified investment approach and reinforced the Fund's capacity to deliver results.

While the Plan's going-concern funded status continues to improve year-over-year, financial and demographic risks make it challenging for plans like SHEPP to meet pension obligations at reasonable costs. To mitigate the need for contribution rate changes, the Fund's investments need to work hard, and this means the Plan must take on some risk.

Robust risk management strategies are needed to balance and minimise risk without forgoing investment returns. SHEPP's Board and Administration work closely with the Plan actuary and investment consultant to implement investment and risk management strategies that achieve a sufficient rate of return within an acceptable level of risk.

Going-Concern Funded Ratio

(as at December 31)



SHEPP Contribution Rates

(as a percentage of pensionable earnings)

Member Contribution Rates	**8.1%** up to the YMPE*	**10.7%** above the YMPE*
Employer Contribution Rates	**9.07%** up to the YMPE*	**11.98%** above the YMPE*

*The YMPE is the Year's Maximum Pensionable Earnings.

The Board has a Funding Policy in place to support its decision-making process, which is intended to steer the Plan through fluctuations in the economy and evolving demographics while ensuring the Plan's financial integrity over the long term. The Funding Policy's primary objective is to safeguard member benefits, while the secondary objective is to stabilise contribution rates.

The challenge of funding is further complicated by the Plan's maturity. During the last two decades, the ratio of active to retired members has decreased from over four to one to just under two to one. As pension plans naturally mature over time, it is expected that this trend will continue, underscoring the significance of pursuing investment approaches capable of producing returns that will adequately fund benefits over the long term.

Active to Retired Member Ratio

4.2 to 1 in 2002 **1.8 to 1 in 2022**

Investments

Investment Overview

The investment environment in 2022 was defined by sustained global inflation and central bank policy responses to rising prices. Inflation, already on the rise in 2021, rose to multi-decade highs in 2022, fuelled by COVID-19 related emergency spending and income-supports, supply chain disruptions and re-opening labour shortages. Russia's invasion of Ukraine and the resulting impact on energy and food costs compounded the inflation shock. Global central banks hiked policy rates up aggressively to quell inflation, sending bond prices down sharply. The economic impact of rising rates, China's zero-COVID-19 policy and heightened geopolitical risk sent equity markets down sharply as well. With both equity and bond indices down more than 10%, it was a very challenging environment for balanced fund investors, including many pension plans.

SHEPP's one year net investment return was -3.2%. While negative returns are never welcome, the Plan held up very well relative to its benchmark return of -6.3%. A defensive asset allocation during the year added value as did active management throughout the portfolio. The result also underscored the benefits of diversification. SHEPP has been on a multi-year journey to build a more resilient portfolio which has included moving into illiquid assets, such as infrastructure, real estate and private equity, as well as liquid alternatives and opportunistic investments. The benefit of these moves can be seen in 2022 by comparing the SHEPP result to a balanced portfolio of 60% equities and 40% bonds which would have returned -14.1% on the year[1].

Strategic Deliverables and Accomplishments

- Generated a -3.2% return and substantial value add in what was among the most difficult investment environments in decades.
- Completed an asset liability study resulting in a new long-term investment strategy which will target further diversification of the investment portfolio into illiquid assets.
- Completed an Investment Risk Management Framework that provides a robust structure for managing the various risks within the SHEPP portfolio.
- Made progress on funding the private equity allocation.
- Allocated to three infrastructure funds and made an allocation within the Opportunistic category.
- Transitioned to a new custodian and onboarded a new performance and analytics provider.

1 Represented as 60% All Country World Equity Index, 20% FTSE Universe Bonds and 20% FTSE Long Universe Bonds.

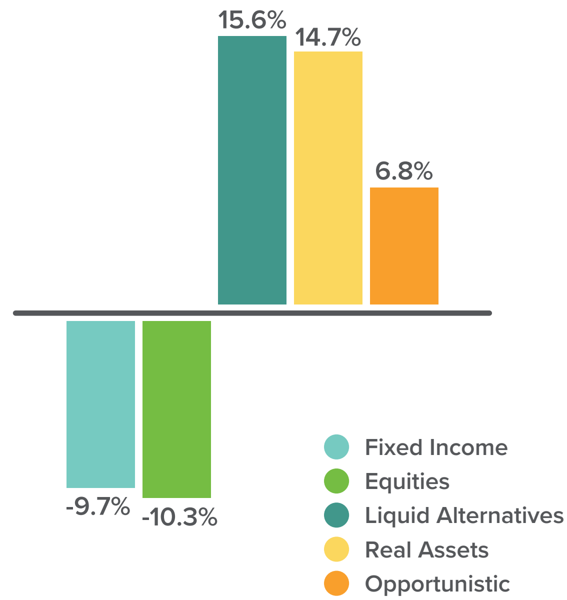
2022 Performance

Following three years of double-digit positive returns, the SHEPP Fund experienced a -3.2% return in 2022. The result (net of investment management fees) tracked well ahead of the -6.3% benchmark return. The benchmark return reflects SHEPP's target asset mix implemented using passive index strategies and absolute return targets.

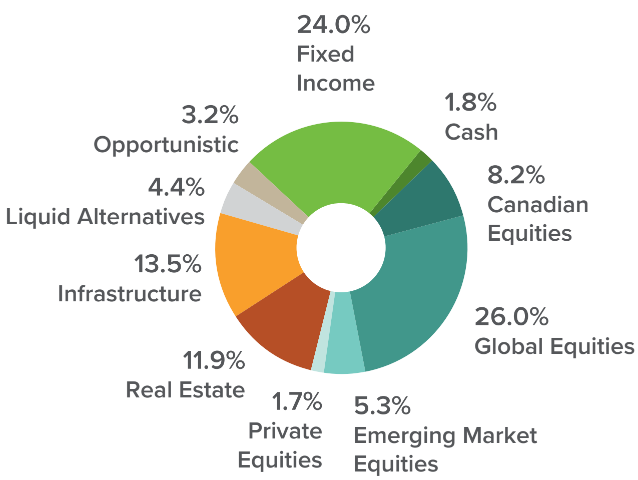
The negative performance at the total fund level was driven by the public equity and bond mandates. Strongly positive returns in illiquid assets (real estate, infrastructure and private equity) as well as liquid alternatives and opportunistic investments helped to offset the negative returns. Value-add of 3.1% over the benchmark came from across the portfolio, with asset class returns outpacing their benchmarks and asset allocation benefitting from being underweight the poor performing equity and bond markets throughout the year.

2022 Total Fund Returns

(net of investment management fees)



2022 Asset Mix



Source: Financial Statements (Note 5)

Fixed Income

The fixed income portfolio provides stable investment income, supplies liquidity and is designed to hedge against equity risk. There is also a return-seeking element within the portfolio, through mandates that provide exposure to global fixed income and a range of credit markets.

Following years of declining yields and resulting price gains, the fixed income portfolios faced rising interest rates and experienced price declines in both 2021 and more dramatically in 2022. Within the fixed income portfolio, long bonds were more vulnerable to rising yields and declined by 21.7%. Other mandates with shorter terms and more diversified mandates fared better but, aside from cash, were still negative; the best performing mortgages portfolio provided -0.4%. SHEPP's overall fixed income allocation generated a -9.7% net return in the year. This tracked 1.0% ahead of the asset class benchmark with all active managers contributing.

Equities

Equities anchor the growth-oriented portion of the portfolio and are expected to deliver dividend income and long-term growth in excess of inflation. The SHEPP publicly listed equity portfolio is diversified globally and across style factors (growth, value, low volatility and size). A private equity allocation is also in the funding phase.

For the year, strong energy stock performance relative to negative returns for most sectors helped Canadian equities lead the public equity portfolio. Within markets, value-style investing continued its comeback relative to growth stocks. SHEPP's total equity portfolio posted a -10.3% net return in 2022, which led the benchmark by 1.0%. Small cap, value and low volatility style mandates added value, while growth-oriented mandates lagged. The private equity results are too short term to be meaningful from a mandate performance perspective but were nonetheless positive in their impact on the total equity portfolio.

Liquid Alternatives

Liquid alternatives employ strategies that seek to provide attractive risk-adjusted returns across various market environments by being less reliant on positive market direction to generate returns. Designed to have relatively low correlation with traditional equity and fixed income markets, and a risk profile lower than equities, these absolute return strategies are intended to provide diversification at the total Fund level.

The global macro and alternative risk premium strategies employed by SHEPP were able to extract value through the market volatility and provided a 15.6% return, 10.8% above benchmark.

Real Assets

Real assets include real estate and infrastructure investments. Their role in the portfolio is to provide additional diversification and potential for inflation-sensitive income and longer-term growth opportunities. SHEPP's real asset return for the year was 14.7%, adding 4.2% to the benchmark.

Real estate assets provided a 10.8% return and 1.3% in value add in 2022. While the rising interest rate environment impacted portfolio valuations negatively in the latter part of the year, earlier valuation gains and rental growth held returns in positive territory for the overall portfolio. The real estate portfolio is diversified geographically. The US portfolio led the real estate return in 2022, helped by a strong US dollar. Canadian and Asian real estate were also positive in the year, while the European portfolio lagged with a slightly negative result.

Infrastructure provided a strong 18.5% net of fees in 2022. Solid returns came from across the globally diversified portfolio. Continued post-COVID-19 recovery in travel and goods movement, the impact of agreements that provide for inflation escalations and currency exposure were positive trends within the portfolio.

Opportunistic Investments

The opportunistic investment category within the portfolio is intended to capture potential opportunities that may come out of market dislocations and/or emerging asset strategies. Potential opportunistic investments for SHEPP are those that are expected to add to the Fund from a return and diversification perspective. Currently these include insurance-linked securities and bank capital relief. These strategies provide diversifying income-oriented returns from insurers and banks managing against post financial crisis capital requirements.

Opportunistic investments returned 6.8% in the year on the strength of a double-digit return in bank capital relief partly offset by losses in insurance-linked securities that were the result of storm related losses.

Currency

SHEPP uses a currency overlay program to partially hedge currency exposures that come with a globally diversified portfolio. Since currency acts as a source of diversification during certain market environments, only part of the exposure is hedged and the hedging level is dynamic. In 2022, SHEPP's total Fund return was increased by currency exposure as the Canadian dollar depreciated against a basket of currencies. The currency overlay program partially offset these gains and slightly reduced the total Fund performance.

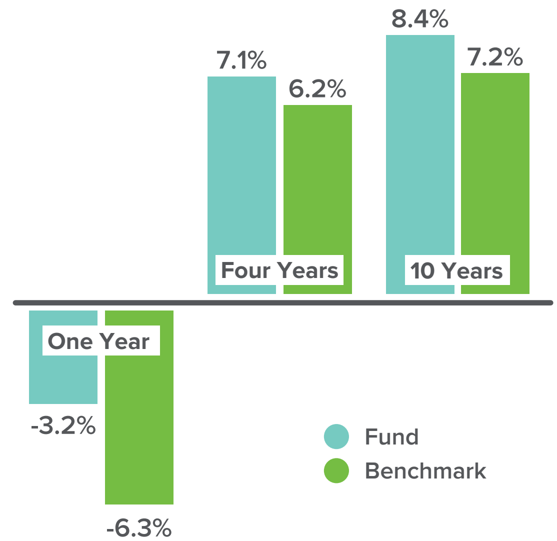
Longer-term Results

SHEPP's investment strategy is a long-term one geared to enhance Plan sustainability and, as such, its success must be examined under a lens spanning more than any one year. On a longer-term basis, SHEPP assesses the effectiveness of investment strategies and activities relative to absolute return targets used in funding calculations, as well as a benchmark portfolio return calculated using passive index and absolute returns. The primary and secondary objectives, respectively, are to meet or exceed a real return of 4.0% (inflation plus 4.0%) over the very long term (10+ years) and to meet or exceed the return of the benchmark portfolio approved by the Board (over rolling four-year periods).

While the negative 2022 return muted strong longer-term absolute returns, the Fund exceeded performance targets with a four-year annualised return of 7.1% (net of investment management fees) exceeding the benchmark of 6.2%. Over 10 years, the 8.4% return (net of investment management fees) also exceeded the 7.2% benchmark portfolio return and provided a strong net of inflation return of approximately 6.0%.

Total Fund Rate of Return

(annualised, net of investment management fees)



Responsible Investing

SHEPP's approach to responsible investing is to integrate Environmental, Social and Governance (ESG) factors into its investment decisions. The Plan's Statement of Investment Policies and Procedures outlines the belief that organisations that manage ESG factors effectively are more likely to endure, manage risk, and create sustainable value over the long term. Therefore, ESG is integrated into the investment process, as part of the Board's commitment to act in the financial best interest of Plan members. SHEPP has set out the practices adopted in applying this belief in its Responsible Investment Policy.

SHEPP engages external managers to implement the Plan's investment strategy and sets out expectations that investment managers integrate ESG factors into investment decisions. Due diligence processes for existing and potential managers review manager practices and measures related to ESG integration. The Board also undertakes an annual review of Responsible Investing issues and trends, which included a focus on climate change issues in 2022. Annual reporting on the Responsible Investment activities of the Plan's external managers indicates continued enhancements in how managers are considering the impact of ESG factors when making investment decisions.

Administration

Operating Expenses

Pension administration expenses are a normal aspect of administering a pension plan and, like other pension plans, SHEPP strives to strike a balance between quality service delivery and cost efficiency.

As the Plan has grown and matured, corresponding increases in operating expenses have naturally ensued. SHEPP regularly reviews and analyses costs to ensure that the administration expenses are aligned with the quality service we strive to deliver. As a check and balance, SHEPP regularly compares its administration costs to those of its peers to ensure the expenses incurred are reasonable and necessary to effectively operate the Plan.

Total operating expenses in 2022 were $98.8 million – an increase of $15.9 million over the previous year. Investment fees continue to be the largest category of expenses, accounting for approximately 86% of total administrative costs. These expenses are reflective of both the value of total assets and complexity of SHEPP's investment portfolio. As we diversify into new asset classes and the Fund grows, we expect investment fees will continue to increase along with that growth.

Operating Expenses 2022

(millions)

$98.8 Total
Operating Expenses

Strategic Plan

In 2022, SHEPP implemented a five-year rolling strategic plan which provides a flexible and responsive approach to risk management, continuous assessment of our core strategies, implementation of our operational plans, while taking into consideration changes in our operating environment.

Strategic Goals

People & Culture

Build cultural alignment by fostering a resilient, accountable and high-performing team.

Sustainability

Drive Plan sustainability by securing the Plan's long term financial health.

Stakeholder Experience

Elevate the experience of members and all Plan stakeholders.

Strategic Management Framework

A new Strategic Management Framework was developed to enable the rolling nature of the strategic plan. The framework guides planning activities to ensure the right things are done at the right time, and progress is demonstrated through performance metrics. This has shifted the annual planning process to a continuous cycle that evaluates the organisation, industry, and environment, sets present and future goals, and reassesses each cycle.

Enterprise Risk Management

In 2022, SHEPP's Enterprise Risk Management (ERM) program continued to mature, by further aligning strategic planning with risk mitigation. As our strategy evolves to meet future needs, the ERM function will advance to ensure the appropriate layers of risk review are in place, and that SHEPP continues to meet its compliance duties, while taking calculated risks that are within a defined risk appetite.

SHEPP's Board of Trustees play a critical oversight role in ensuring the appropriate risk management practices are in place and that Administration is effectively challenged given emerging and new risks. The Board ultimately sets the direction for the amount and level of risk SHEPP is willing to undertake.

ERM continues to identify risks and assesses them against five risk categories: strategic, financial, operational, reputational, and compliance. Risk assessments are completed annually to identify new risks and assess open risks accordingly. Controls are measured and their criticality is identified to further ensure control effectiveness is in place.

Important risk management work during the year included departmental risk assessments, improvements to the disaster recovery and business continuity program, privacy awareness education and participation in industry consultation on risk matters.

Senior Leadership Team

Alison McKay,
Chief Executive Officer

Cheldon Angus,
Chief People & Technology Officer

Dale Markewich,
Chief Financial Officer

2022 Administration Highlights

Service Standards Measurement Framework

A Service Standards Measurement Framework was developed in 2022 aimed at optimising our operations by collecting and acting on member feedback. This framework will inform our decisions on where to invest our time and resources in the future and provide the best possible service to our members. Additionally, it will help us identify and address any outliers in our service and understand trends over time. Surveying for the framework is set to launch in 2023.

Business Intelligence

SHEPP's growth both as a pension plan and an administration has led to an increased need for data-informed decisions. To meet this need, a Business Intelligence (BI) unit has been established to support operational excellence and process improvements guided by data and metrics. Though still in its early development, the BI unit will provide teams at SHEPP with tools to achieve organisational goals through data-driven decision making.

Janet Julé,
Chief Investment Officer

Paula Potter,
Chief Operating Officer

Allison Nystrom,
Executive Director of Governance & Strategic Planning

Future of Work

The pandemic has influenced the traditional office environment, changing the future of work in many ways. SHEPP has fully embraced this shift and transitioned to a hybrid work environment, providing employees with additional flexibility to balance both work and personal obligations through work from home options. We are committed to listening to our employees and supporting the future of work, while also ensuring we continue to provide high levels of service to our members and stakeholders.

Performance Management

Fostering a culture of high performance and accountability helps to ensure we are fulfilling The SHEPP Promise. Throughout the year, we revisited our performance management philosophy to focus on results and behaviours, as well as updated our core competencies to reflect the behaviours that support this refined performance philosophy. Providing training and development opportunities for all employees that support both personal and professional growth continues to be a pivotal part of our strategy as well.

Employee Health & Wellness

Employee well-being has been a key area of focus throughout the year. In the fall, we held our first annual SHEPP Wellness Day to reinforce the significance of supporting employees' overall health and mental well-being. The employee event emphasised the four pillars of wellness: physical, emotional/mental, financial, and social. Through wellness-centered education and awareness initiatives, we aim to develop a greater focus on well-being within our organisational culture.

Asset Liability Study

Periodic asset liability studies are necessary to ensure the Plan's asset mix aligns with changing risk and return assumptions, risk tolerance, and the Plan's profile. The Board reviews the Investment Policy annually and conducts a full asset liability study every three to five years to evaluate funding and contribution levels, assess risk levels, and explore potential changes to the investment strategy. The study informs the Board's selection of a long-term asset mix that supports the Plan's objectives. An asset liability study was completed in 2022, and the Board approved an updated strategic asset mix in December, with implementation scheduled for 2023 and 2024.

Cybersecurity Program

SHEPP's cybersecurity program transitioned from the COBIT (Control Objectives for Information and Related Technologies) framework to the ISO 27001 standard, enabling a more comprehensive and risk-based approach to information security. Embracing the ISO 27001 framework has not only strengthened our cybersecurity program but has also demonstrated a commitment to protecting our digital assets and fostering a culture of continuous improvement. Key highlights of the year include the implementation of regular vulnerability scanning and adoption of Critical Security Controls (CIS Controls) across the organisation which improved our security posture, identifying and mitigating potential threats while promoting a proactive mindset among staff.

Cloud Migration Projects

Significant strides have been made in enhancing our business continuity program through the adoption of cloud technologies. This transition has yielded numerous benefits, including increased efficiency, flexibility, and cost savings. A major milestone achieved in 2022 was the successful migration of our pension administration system and web portals to the cloud, which has improved system resilience and scalability. In addition, we have partnered with a reputable cybersecurity firm to strengthen our security posture and ensure a swift, secure response in the event of an incident. Overall, our move to the cloud has greatly strengthened our business continuity program and positions us for ongoing success in an increasingly digital world.

Launch of ServiceHub

Accurate and timely data from our employers is essential for us to deliver quality service to our members. In April 2022, SHEPP launched the new ServiceHub application and SHEPPweb Employer Portal enhancements. The ServiceHub application replaced our legacy data capture tool with an upgraded technology platform, which provides SHEPP participating employers a streamlined way of submitting payroll data with a more user-friendly experience.

Industry Involvement

SHEPP is a member of several Canadian organisations focused on pensions with representatives from Administration having active roles at the national and regional level. These organisations include: Canadian Public Pension Leadership Council (CPPLC), the Association of Canadian Pension Management (ACPM), Pension Investment Association of Canada (PIAC), and Canadian Pension & Benefits Institute (CPBI).

Service

Our team at SHEPP is dedicated to excellence in pension plan administration, governance, and the provision of benefits, as we work to fulfill our mission of serving our members' best interests. Our commitment to delivering quality service to members and employers is guided by our service standards which prioritise accuracy, timeliness, helpfulness, and approachability, and we strive to uphold these service standards in every interaction.

Accurate

At SHEPP, we pride ourselves on providing our members with accurate and reliable information. Our pension professionals are highly trained and equipped with the latest tools and resources to ensure that they deliver precise information to our members for making informed decisions about their pension. This includes access to up-to-date documentation, policies, practices, and legislated rules that are essential for conducting critical conversations with members and employers.

Member Experience

To ensure we are providing quality service to members with a lens on the future of our organisation, we restructured our Member Services team to facilitate the growth and development of our pension professionals. We also renamed the department to Member Experience to reflect our commitment to quality service through all channels of member interaction.

Timely

Delivering information in a timely manner is essential in pension administration where deadlines can significantly impact our members' decision making. We understand the importance of establishing mutually agreed-upon timelines to meet the targets for turnaround times and fulfill the expectations of our members and employers. This approach not only helps us to operate more efficiently but also enables us to better serve our stakeholders and maintain their trust in our services.

Responsive Communication

We strive to complete member calculations within two weeks, respond to emails within one business day and have a minimal wait time when members call in to speak with a pension officer, with the average call wait time only 20 seconds in 2022.

Helpful

SHEPP is committed to finding the best solutions for every situation. A supportive approach to interactions with our members allows us to gain a deeper understanding of their needs and provide them with the necessary information for informed decision-making. With the right people, processes, and training in place, we are able to deliver a quality service experience that underscores our commitment to helping meet the needs of our members, employers and all other stakeholders.

Pension Information Webinars

After launching our Retirement Ahead webinars during the pandemic, we now offer our pension information sessions for members exclusively online. In 2022, we hosted 15 sessions with over 750 registered attendees. The online session provides more options for members to attend, and with limited registration size, our presenters can effectively interact with attendees during the live webinar and follow up with any support required after the session.

Approachable

At SHEPP, we believe that every person is a welcome priority. We value each member as a unique individual and foster approachable interactions to build stronger relationships with them. This creates opportunities for increased comfort levels in reaching out to us in the future, which is essential for maintaining trust and ensuring that our members receive the support they need to make informed decisions about their pension.

In-Person Service

In 2022, we reopened our office to the public and resumed in-person services for our members, recognising the importance of face-to-face interactions alongside our online and phone services during the pandemic. The decision was made collectively with input from staff who meet with members, prioritising the health and safety of everyone involved.

Service Highlights

In addition to personal service, resources are sent by mail and available online to help members better understand their pension.

All Plan members receive a mailed personalised annual statement, with active member statements featuring key information for retirement planning, including pension accrued to date as well as the projected early and normal retirement dates (and estimated pension on those dates).

SHEPP members and employers have access to SHEPPweb, a secure online portal with tools and resources available to them for quick self-service as needed. Members can run their own pension projections and calculate various retirement scenarios using the SHEPPweb online calculators.

56,337 visitors to shepp.ca

4,089 information sheet downloads

21,964 calculations online by members

7,706 calculations mailed by SHEPP

15,720 phone calls from members

9,323 emails from members responded to

5,862 pension information updates submitted online by members

Governance

Structure and Authority

On December 31, 2002, the Plan's settlors signed the Agreement and Declaration of Trust (Trust Agreement) establishing SHEPP's current joint-trustee structure whereby Plan obligations are shared between employers and employees. The Trust Agreement assigns authority to two governing bodies, appointed by the Plan settlors.

Two Partner Committees – the Union Partner Committee represented by individuals appointed by the five settlor unions (SEIU-West, CUPE, SUN, HSAS and SGEU), and the Employer Partner Committee represented by individuals appointed by 3sHealth – are collectively responsible for Plan design. Any benefit changes which impact the cost of the Plan must be negotiated and agreed upon by the Union and Employer Partner Committees.

An eight-member Board of Trustees, consisting of four Trustees appointed by 3sHealth and four Trustees appointed by SEIU-West, CUPE, SUN and HSAS are fiduciaries, responsible for administering the Plan and investing the assets held in trust. The Board sets the strategic direction of the Plan and establishes investment and administrative policies in accordance with the Plan Text, the Trust Agreement and all governing legislation, regulations, and industry guidelines.

The Plan is funded by investment earnings and contributions from Plan members and participating employers. It is the Board's responsibility to invest the Plan's assets to adequately cover the pension obligations and implement contribution rates to meet the funding requirements established by the Plan actuary. As fiduciaries, Trustees must exercise their authority while consistently acting in the best interests of Plan members and beneficiaries.

2022 Highlights

Celebrating 20 Years of Joint Trusteeship

December 31, 2022, marked the 20-year anniversary of signing the Agreement and Declaration of Trust to create SHEPP. Under the Board's leadership and guidance, the Plan has grown from just under $2 billion in assets and approximately 37,000 members in 2002, to 63,240 members and approximately $9.3 billion in assets as at December 31, 2022. Today, SHEPP is the largest defined benefit pension plan in Saskatchewan.

2021 Actuarial Valuation

Provincial pension legislation requires that an actuarial valuation be filed at least every three years for defined benefit pension plans such as SHEPP. The Board of Trustees has the option to file more frequently at their discretion.

An actuarial valuation was filed with the Financial and Consumer Affairs Authority of Saskatchewan in September 2022, which showed an improvement in funded status as at December 31, 2021, with no changes to contribution rates required.

The valuation showed the Plan to be in a strong financial position. This is a result of the Board's long-term focus and funding strategy, which has facilitated the Plan's recovery from the deficit following the global financial crisis in 2008. In addition to restoring the Plan's funded status, the Board's strategy has also involved building margins to protect the Plan from volatility to achieve its funding objectives of securing member benefits and stabilising contribution rates.

Plan Text Amendment

The SHEPP Board of Trustees is responsible for administration of the Plan, and one of the most important documents related to this responsibility is the Plan Text. A Plan Text is a legal document, filed with the pension regulator, that defines the administration rules of a registered pension plan and specifies the pension benefits that will be provided under the Plan. The Board amends SHEPP's Plan Text from time to time, and most recently effective January 1, 2022, eliminating the option to transfer commuted values out of the Plan for members over the age of 55. This change supports the Board's focus on the long-term stability and sustainability of the Plan and its primary purpose of paying secure, predictable monthly lifetime pensions to its members. Information was provided to all impacted members, communicating the change and available options, in advance of the effective date.

New Plan Custodian

The Board is responsible for hiring a Plan custodian, which is responsible for holding all of the assets and investments of the Trust Fund. After a thorough evaluation, the Board chose a new Plan custodian, State Street, to provide quality reporting, analytics, custody and accounting to meet SHEPP's needs now and into the future.

CAPSA Working Group

In 2022, the Canadian Association of Pension Supervisory Authorities (CAPSA) established a new pension industry working group with a mandate to develop a Risk Management Guideline, as a response to the International Monetary Fund's call to regulators to strengthen their oversight of pension plans and gain a greater understanding of vulnerabilities.

As a member of this working group, SHEPP engaged in multiple CAPSA sessions to offer our insights into the formation of the new Risk Management Guideline, as well as providing guidance on creating a pension risk framework that can be adapted to a pension plan's own unique characteristics.

Board of Trustees

Jeff Stepan, Chair

Andrew Huculak, Vice Chair

Ray Deck

Russell Doell

Partner Committees Engagement

The Partner Committees are responsible for Plan design and are the only governing body that can amend the Trust Agreement. SHEPP is committed to ensuring the Partner Committees are engaged and have sufficient knowledge of the Plan to effectively execute their role. In 2022, the Partner Committees met three times in addition to attending the Annual Meeting with the Board of Trustees. These meetings provide an opportunity to remain informed of the Plan's funded status and receive education on topics relevant to their role and responsibilities.

Board Meeting Activities

Each year, the Board approves a work plan to guide its regular activities, ensuring legal obligations are met and governance best practices are followed. After each meeting, a summary of the matters brought before the Board, titled Board Notes, is published to the SHEPP website.

In 2022, the Board held six regular meetings, as well as the Annual Meeting. Highlights throughout the year include:

- Re-elected Jeff Stepan and Andrew Huculak to the rotating roles of Chair and Vice Chair for another two-year term;

- Met with two investment managers;
- Reviewed 11 policies;
- Received reports confirming compliance with legislation, regulations, guidelines and policy, including code of conduct, conflict of interest, and the Funding Policy;
- Completed the CAPSA Pension Plan Governance (Guideline 4) and CAPSA Prudent Investment Practices (Guideline 6) Self-Assessments;
- Received the QSM Pension Administration benchmarking report and the CEM Investment benchmarking report; and
- Reviewed the Trust Agreement.

The Trustees participate in education sessions held in combination with regular Board meetings throughout the year. In addition, they are encouraged to attend conferences, webinars and other learning opportunities available within the pension industry. These training opportunities help the Trustees remain informed of emerging trends and best practices in pension administration.

Five-Year Financial Highlights

As at December 31

	2022 (000s)	2021 (000s)	2020 (000s)	2019 (000s)	2018 (000s)
NET ASSETS AVAILABLE FOR BENEFITS	**$ 9,263,780**	$ 9,703,461	$ 8,885,516	$ 8,030,768	$ 7,214,270
ACCRUED PENSION OBLIGATIONS	**7,885,600**	8,162,700	7,867,300	7,292,200	6,843,700
CONTRIBUTIONS					
Member	**175,655**	173,271	164,053	161,184	158,177
Employer	**196,734**	194,063	183,739	180,526	177,158
Other	**3,416**	5,344	14,880	5,922	3,466
TOTAL CONTRIBUTIONS	**375,805**	372,678	362,672	347,632	338,801
BENEFIT PAYMENTS					
Pensions	**386,349**	361,273	336,903	314,516	293,236
Terminations, Death Benefits and Holdbacks	**70,311**	74,304	52,412	48,020	46,561
TOTAL BENEFIT PAYMENTS	**456,660**	435,577	389,315	362,536	339,797
PLAN EXPENSES					
Administrative	**13,911**	12,769	11,269	10,485	9,730
Investment	**84,851**	70,161	48,183	44,390	33,097
TOTAL PLAN EXPENSES	**$ 98,762**	$ 82,930	$ 59,452	$ 54,875	$ 42,827

2022

FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the Saskatchewan Healthcare Employees' Pension Plan

Opinion

We have audited the financial statements of the Saskatchewan Healthcare Employees' 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 pension 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 Saskatchewan Healthcare Employees' Pension Plan as at December 31, 2022, and its changes in net assets available for benefits and its changes in pension 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 the 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 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

May 17, 2023

Statement of Financial Position

For the period ending December 31

	2022 (000s)	2021 (000s)
ASSETS		
Investments (Note 5)	**$ 9,277,607**	$ 9,410,247
Investments under security lending program (Note 5)	**-**	308,986
Members' contributions receivable	**14,683**	14,367
Employers' contributions receivable	**16,445**	16,091
Dividends receivable	**5,710**	9,290
Property and equipment	**4,692**	5,249
Intangible assets	**3,211**	3,173
Other receivables	**1,171**	580
	9,323,519	9,767,983
LIABILITIES		
Accounts payable	**11,415**	13,166
Transfer deficiency holdback	**48,324**	51,356
	59,739	64,522
NET ASSETS AVAILABLE FOR BENEFITS	**9,263,780**	9,703,461
PENSION OBLIGATIONS	**7,885,600**	8,162,700
SURPLUS	**$ 1,378,180**	$ 1,540,761

See accompanying notes

Approved by the Board of Trustees and signed on their behalf on May 17, 2023.

Jeff Stepan, Chair

Andrew Huculak, Vice Chair

Statement of
Changes in Net Assets Available for Benefits

For the period ending December 31

		2022 (000s)		2021 (000s)
INCREASE IN NET ASSETS				
Contributions - Members	**$**	**175,655**	$	173,271
Contributions - Employers		**196,734**		194,063
Contributions - Other		**3,416**		5,344
Investment income (Note 6)		**202,045**		194,924
Net realised gain on investments		**247,427**		639,116
Realised gain on foreign exchange		**-**		20,689
Transfer deficiency holdback		**3,047**		-
		828,324		1,227,407
DECREASE IN NET ASSETS				
Pension benefits		**386,349**		361,273
Realised loss on foreign exchange		**54,297**		-
Terminations and death benefits		**70,311**		69,192
Transfer deficiency holdback		**-**		5,112
		510,957		435,577
EXPENSES				
Administrative expenses		**11,938**		10,642
Custodian fees		**496**		452
Investment fees (Note 10)		**84,355**		69,709
Professional fees		**1,973**		2,127
		98,762		82,930
		609,719		518,507
UNREALISED GAINS (LOSSES)				
Unrealised market value (loss) gain		**(824,344)**		146,807
Unrealised gain (loss) on foreign exchange		**166,058**		(37,762)
		(658,286)		109,045
NET (DECREASE) INCREASE FOR THE YEAR		**(439,681)**		817,945
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR		**9,703,461**		8,885,516
NET ASSETS AVAILABLE FOR BENEFITS	**$**	**9,263,780**	$	9,703,461

See accompanying notes

Statement of Changes in Pension Obligations

For the period ending December 31

		2022 (000s)		2021 (000s)
PENSION OBLIGATIONS, BEGINNING OF YEAR	**$**	**8,162,700**	$	7,867,300
Current service costs		**257,600**		283,100
Benefits paid by the Plan		**(453,600)**		(435,600)
Interest expense		**493,500**		467,000
Change in actuarial assumptions		**(635,900)**		(12,600)
Experience losses (gains)		**61,300**		(6,500)
PENSION OBLIGATIONS, END OF YEAR (Note 7)	$	**7,885,600**	$	8,162,700

See accompanying notes

Notes to the Financial Statements

December 31, 2022

1. Saskatchewan Healthcare Employees' Pension Plan

The Saskatchewan Healthcare Employees' Pension Plan ("the Plan") is a multi-employer defined benefit pension plan registered under *The Pension Benefits Act*, 1992 (Saskatchewan) and the *Income Tax Act* (Canada). The Plan is governed by a Board of Trustees pursuant to an Agreement and Declaration of Trust dated December 31, 2002. Four Trustees are appointed by Health Shared Services Saskatchewan (3sHealth) and four healthcare unions each appoint one Trustee. The Chief Executive Officer and the Plan's employees are responsible for the administration of the Plan, subject to Board monitoring and review.

2. Basis of Preparation

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 (CPA Handbook Section 4600). For matters not addressed in Section 4600, International Financial Reporting Standards (IFRS) guidance has been implemented.

b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for financial instruments which have been measured 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 unless otherwise noted.

d) Use of estimates and judgements

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and changes in estimates are recorded in the accounting period in which they are determined. The most significant estimation processes are related to the valuation of investments (Note 5) and actuarial determination of pension obligations (Note 7).

Notes to the
Financial Statements

December 31, 2022

3. Description of Plan

The following description of the Plan is a summary only. For more complete information reference should be made to the Plan Text.

a) *Effective date*

The effective date of the Plan was March 1, 1962.

b) *Eligibility*

Eligible permanent full-time and permanent part-time employees of the Plan employers must participate.

Membership is optional for eligible casual and temporary employees who work at least 780 hours in the immediately preceding calendar year or at least 700 hours in each of the two immediately preceding calendar years.

c) *Member contributions*

The Plan employers are responsible for the accuracy and completeness of the payroll information on which contributions are remitted and benefits determined under the Plan. Contributions are made by both members and the Plan employers in accordance with the provisions of the Plan.

For the year ending December 31, 2022, members are required to contribute 8.1 percent of their pensionable earnings up to the Year's Maximum Pensionable Earnings (YMPE) and 10.7 percent of pensionable earnings above the YMPE.

Plan members may purchase eligible service provided they satisfy the full purchase cost. These contributions are referred to as additional purchased service contributions and may be purchased on a current service or prior service basis.

Plan members may transfer in service and contributions from the pension plan of a prior employer. These contributions are referred to as portability transfer contributions.

d) *Employer contributions*

Employers contribute 112 percent of a member's required contributions.

3. Description of Plan (continued)

e) Amount of pension

Subject to the maximum pension limits set out in the Plan Text the basic lifetime pension is equal to the sum of:

(i) 2 percent of highest average contributory earnings[1] multiplied by years of credited service up to December 31, 1989, plus

(ii) 1.65 percent of highest average base contributory earnings[2] plus 2 percent of highest average excess contributory earnings[3] multiplied by years of credited service between January 1, 1990 and December 31, 2000, plus

(iii) 1.4 percent of highest average base contributory earnings plus 2 percent of highest average excess contributory earnings multiplied by years of credited service after January 1, 2001.

f) Retirement dates

The normal retirement date of a member is the first day of the month coincident with or next following the member's 65th birthday.

Members can retire early with an unreduced pension as soon as their age and years of credited service add up to 80 years.

Members can retire with a reduced pension any time after age 55 with at least two years of service. The reduction applied to the member's pension depends on how long the member has worked for their employer. If the member has worked for at least 10 years, the pension is reduced by the lesser of:

(i) 3 percent multiplied by the number of years, and portions thereof, that the member is short of age 65, and

(ii) 3 percent multiplied by the number of years, and portions thereof, that the member's age plus credited service is short of 80 years, and

(iii) The greater of:

(a) 3 percent multiplied by the number of years, and portions thereof, that the member is short of age 62, and

(b) 3 percent multiplied by the number of years, and portions thereof, that the member's credited service is short of 20 years.

A member may delay receipt of pension payments until December 1 of the year in which they attain age 71. In this event, pension accruals will continue in the normal manner.

1 The average of a member's four highest years of contributory earnings.
2 The average of a member's contributory earnings up to the Year's Maximum Pensionable Earnings during the five highest calendar years of contributory earnings.
3 The difference between a member's highest average contributory earnings and highest average base contributory earnings.

3. Description of Plan (continued)

g) *Transfer deficiency holdbacks*

The valuation performed at December 31, 2021 revealed a solvency deficit of 14 percent. This was effective September 30, 2022. On April 16, 2020, due to COVID-19, the Financial Consumer Affairs Authority (FCAA) issued a freeze on transfers or payments out of defined benefit plans. The Plan applied for and was granted an exemption from the freeze on the condition that it apply a current transfer deficiency holdback to all applicable payments made from the Plan. On that basis, the Plan withheld 36 percent from applicable benefits paid to reflect the Plan's solvency ratio at April 30, 2020 of 64 percent. Effective March 24, 2021, FCAA lifted the freeze and required Plans to revert back to applying the transfer deficiency holdback based on the solvency ratio of the Plan in the most recently filed actuarial valuation report. The previous transfer deficiency holdbacks were 28 percent, 29 percent, 29 percent and 25 percent, based on the valuations performed at December 31, 2017, December 31, 2018, December 31, 2019 and December 31, 2020 respectively. Transfer deficiency holdbacks plus applicable interest is paid within five years of the initial payment or when the Plan becomes fully funded on a solvency basis (whichever occurs first). Transfer deficiency holdbacks began to be repaid in 2016.

h) *Death in service*

On the death of a member before retirement, the member's surviving spouse receives the greater of:

(i) the sum of:

(a) the commuted value of the member's pension earned to the date of death in respect of all core credited service, plus excess contributions, if any, and

(b) the member's accumulated additional purchased service and portability transfer contributions, plus interest, and

(ii) the sum of:

(a) the commuted value of the member's core credited service pension earned from January 1, 1992 to the date of the member's death, plus excess contributions, if any, and

(b) twice the member's required contributions, with respect to pre-1992 core credited service, plus interest, plus the member's additional purchased service contributions and portability transfer contributions, plus interest.

If the member is not survived by a spouse, or the spouse has completed and submitted the pre-retirement death benefit waiver form prescribed under *The Pension Benefits Act*, 1992 (Saskatchewan), the death benefit is payable in a lump sum to the member's designated beneficiary or estate.

3. Description of Plan (continued)

i) Normal form of pension

The normal form of pension provides for monthly payments for life, with a minimum of 60 monthly payments being guaranteed in any event. Optional forms of pension are available on an actuarial equivalent basis. If the retiring member has a spouse, a joint life optional pension reduced by not more than 40 percent on the member's death must be elected unless the spouse has waived this option.

j) Termination of employment

Benefit entitlement to members who are terminated depends upon whether or not the member is vested.

A member is vested if on termination, the member has:

- more than two years of credited service in which case the benefit is not locked in, or
- more than two years of continuous service in which case the benefit is locked in.

A non-vested member is entitled to a refund of their own required and additional purchased service contributions, plus interest as either:

- a taxable payment issued directly to the member, or
- a tax-exempt transfer directly to the member's personal registered retirement savings plan (RRSP) or other qualifying vehicle.

A vested member may discharge his or her non-locked-in deferred pension and receive a refund of their own required and additional purchased service contribution as either:

- a taxable payment issued to the member, or
- a tax-exempt transfer directly to the member's personal RRSP or other qualifying vehicle.

A vested member is entitled to a deferred pension payable at age 65. The member's deferred pension is calculated based on the member's credited service and contributory earnings at the date of termination.

Prior to age 55, a vested member may discharge their locked-in deferred pension and transfer the present value of the deferred pension to a personal registered retirement savings plan or another registered pension plan, providing the funds transferred are administered on a locked-in basis.

December 31, 2022

k) Disability benefit

Members who become disabled under the terms of the Plan will continue to earn credited service under the Plan. Their pension at retirement is based on all years of credited service including those on approved disability, and their highest average contributory earnings are calculated assuming they had made contributions during disability based on their salary when the disability commenced.

l) Maximum employee cost

At least 50 percent of the cost of the benefit payable at retirement or termination of employment to a member who is vested and locked-in must be provided by employer contributions. Any "excess" contributions on termination or retirement are refundable to the member.

m) Interest

For the purpose of calculating accumulated member contributions, interest rates are applied in respect of required contributions at the rates of interest determined by the Plan from time to time, but in no event are lower than the minimum rate required by *The Pension Benefits Act,* 1992 (Saskatchewan).

4. Significant Accounting Policies

The financial statements are prepared in accordance with Canadian Accounting Standards for Pension Plans (ASPP). These standards provide guidance in the measurement of the Plan's pension obligations and any investments held by the Plan. ASPP also provides the Plan with the ability to select and follow IFRS or Accounting Standards for Private Enterprises for all other accounting policies. The Plan has chosen to adopt the relevant sections in IFRS.

The following policies are considered to be significant:

a) Revenue recognition

Interest on bonds and short-term investments is recognised as it accrues. Income from real estate equity investments is recognised on the accrual basis as earned. Dividend income and pooled fund distributions are recognised as of the date of record.

Investment transactions are accounted for on the trade date. Realised gains and losses on currency forward contracts are recognised on the settlement date and unrealised gains and losses are recognised with reference to the fair value determined using appropriate valuation techniques. The Plan follows the accrual method for the recording of income and expenses.

4. Significant Accounting Policies (continued)

b) Financial instruments

All financial instruments are carried at fair value, except for receivables which are measured at amortised cost. The carrying value of cash, receivables, and short-term investments approximates fair value due to the immediate or short-term nature of these financial instruments. The fair value of equities is based on year-end market quotations. The fair value of bond, mortgage, liquid alternatives, opportunistic investments and equity pooled funds is based on the market values of the underlying investments. The fair value of currency forward contracts is determined using appropriate valuation techniques. The fair value of real estate pooled funds is based on the most recent appraisal and earnings results. The fair value of real estate equity investments is based on the most recent appraisal. Infrastructure investments are valued by using market comparable and discounted cash flows valuation models.

c) Investments under securities lending program

Securities lending transactions are entered into on a collateralised basis. The securities lent are not derecognised on the Statement of Financial Position given that the risks and rewards of ownership are not transferred from the Plan to the counterparties in the course of such transactions. The securities are reported separately on the Statement of Financial Position on the basis that the counterparties may resell or re-pledge the securities during the time that the securities are in their possession.

Securities and cash received from counterparties as collateral are not recorded on the Statement of Financial Position given that the risks and rewards of ownership are not transferred from the counterparties to the Plan in the course of such transactions.

d) Property and equipment

Items of property and equipment are measured at cost less accumulated amortisation and accumulated impairment losses. The amortisation method, the useful lives and the residual value of the assets are reviewed at each reporting date. Repairs and maintenance are recorded as administrative expenses in the period in which they have been incurred.

Amortisation is recognised in the Statement of Changes in Net Assets Available for Benefits on a straight-line basis, commencing in the year the asset is available to be placed in service, over the estimated useful lives as follows:

Leasehold improvements	15 years
Furniture and equipment	4 - 10 years
Computer equipment	2 - 4 years

Cost includes expenditures that are directly attributable to the acquisition of the asset. The Plan has not incurred borrowing costs attributable to property and equipment and therefore no borrowing costs have been capitalised.

e) *Intangible assets*

Intangible assets that are acquired by the Plan and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised in the Statement of Changes in Net Assets Available for Benefits on a straight-line basis over the estimated useful lives of intangible assets of between 5 and 10 years.

f) *Provision for accrued pension benefits*

The provision for accrued pension benefits represents the most recent actuarial present value of accrued pension benefits extrapolated to the year-end reporting date. Any resulting change in this provision is recognised in the Statement of Changes in Pension Obligation.

g) *Foreign currencies*

Foreign currency transactions are translated into Canadian dollars using the transaction date exchange rate. Monetary assets and liabilities denominated in foreign currencies are adjusted to reflect exchange rates at the balance sheet date. Exchange gains or losses arising on the translation of monetary assets and liabilities or sales of investments are included in the Statement of Changes in Net Assets in the year incurred. Future changes in the fair value of foreign currency derivative financial instruments are recognised as gains or losses in the period of change.

h) *Income taxes*

The Plan is not subject to income tax since it is a Registered Pension Plan as defined by the *Income Tax Act* (Canada).

5. Investments

The objective of the Plan is to maintain sufficient assets to discharge future pension obligations and to generate cash flows required for pension plan payments. The Plan's investment portfolio (the Fund) has the following holdings:

December 31, 2022

5. Investments (continued)

Summary of Investment Holdings:

Type		2022 Fair Value (000s)	2022 Yield (%)		2021 Fair Value (000s)	2021 Yield (%)
Bond pooled funds	**$**	**1,730,318**	**5.6 – 5.9**	$	2,049,408	1.8 – 2.6
Mortgage pooled fund		**492,555**	**7.1**		473,948	3.8
Equities and equity pooled funds						
Canadian		**757,604**			622,889	
Global		**831,945**			973,685	
Emerging markets		**487,553**			529,538	
Global pooled funds		**1,585,069**			1,715,406	
Total equities and equity pooled funds		**3,662,171**			3,841,518	
Other						
Short-term investments		**12,801**			12,308	
Real estate pooled funds		**1,059,518**			896,351	
Real estate equity investments		**41,003**			44,512	
Infrastructure		**1,250,337**			1,057,137	
Liquid alternatives		**410,884**			486,324	
Opportunistic investments		**300,620**			332,578	
Private equities		**161,547**			57,406	
Cash		**149,818**			163,379	
Currency forward contracts		**6,035**			(4,622)	
Total other		**3,392,563**			3,045,373	
Total investments	**$**	**9,277,607**		$	9,410,247	

Type		2022 Fair Value (000s)		2021 Fair Value (000s)
Investments under securities lending program *				
Canadian equities	**$**	**-**	$	265,899
Global equities		**-**		43,087
Total investments under securities lending program	**$**	**-**	$	308,986

*The program was closed in the current year due to a change in custodian and will be re-established in the following year.

5. Investments (continued)

Bond pooled funds and mortgage pooled fund

Bonds are subject to a minimum quality standard of BBB or equivalent unless otherwise specified in an investment manager's mandate. No single issuer is to exceed 10 percent of the carrying value of the Plan except for securities issued or guaranteed by the provincial or federal governments.

The mortgage pooled fund portfolio is diversified by property type and geographic location throughout Canada.

Financial derivative instruments including futures, options and swap contracts are permitted to both increase returns and reduce currency, credit and interest rate risks. The use of these instruments is restricted by an investment manager's mandate.

Equities and equity pooled funds

Pooled funds have no fixed distribution rates and returns are based on capital market trends and the success of the investment managers. No one holding of an individual stock may represent more than 10 percent of the market value of the specific equity mandate.

Short-term investments

Short-term investments are comprised of investments with less than one year to maturity. The Plan requires a minimum R-1 or equivalent rating.

Real estate pooled funds

The real estate pooled fund's portfolio is owned within the Plan and diversified by property type and geographic location globally.

Real estate equity investments

The Plan invests in real estate equity investments through its 100 percent owned subsidiary, Sunrise Properties Ltd. (Sunrise). This property is located in Ontario. The fair value of this investment is shown as a real estate equity investment.

Infrastructure

The Plan invests in infrastructure investments within the Plan as well as through its 100 percent owned subsidiary, Horizon Alternative Investments SHEPP Holdings Ltd. (Horizon). The fair value of these investments is shown as an infrastructure investment.

5. Investments (continued)

Liquid alternatives

Liquid alternative investments include strategies designed to provide diverse exposure across multiple asset classes and employ a range of global macro and relative value trading strategies. These mandates invest in liquid financial instruments within various markets such as fixed income, foreign currency, commodities, and equities. The Plan holds investments in liquid alternatives through pooled funds.

Opportunistic investments

Opportunistic investments include insurance-linked securities and bank capital relief. An insurance-linked security is a financial instrument whose value is mainly driven by insurance and/or reinsurance loss events. This security is based on the cash flows that arise from the transfer of insurable risks. These cash flows are similar to premium and loss payments under an insurance policy. Bank capital relief is a strategy whereby an investor can earn a premium by providing credit protection on a portion of a bank's loan portfolio. This allows banks to achieve their regulatory capital requirements. The Plan holds investments in opportunistic investments through pooled funds.

Private equities

Private equity investments represent partial equity ownership in entities that are not traded and priced in stock exchanges. The Plan invests in private equity via a wholly owned entity which acts as a limited partner in underlying private equity funds. Future contractual commitments are due on demand and are based on the capital needs of the underlying funds in which the Plan has invested.

Derivative financial instruments – currency forward contracts

Currency forward contracts are financial contracts, the value of which is derived from underlying assets or indices. Derivative transactions are conducted in the over-the-counter market directly between two counterparties or on regulated exchanges. Derivatives are permitted in the Statement of Investment Policy & Procedures (SIP&P). However, unless permission is specifically granted, managers are prohibited from using derivatives.

Fair value hierarchy

Fair value is best evidenced by an independent quoted market price for the same instrument in an active market. An active market is one where quoted prices are readily available, representing regularly occurring transactions. The determination of fair value requires judgment and is based on market information where available and appropriate. Fair value measurements are categorised into levels within a fair value hierarchy based on the nature of the inputs used in the valuation.

Level 1 – Where quoted prices are readily available from an active market.

Level 2 – Valuation model not using quoted prices, but still using predominantly observable market inputs such as interest rates.

Level 3 – Models using inputs that are not based on observable market data.

5. Investments (continued)

	2022 (000s)			
	Level 1	**Level 2**	**Level 3**	**Total**
Bond pooled funds and mortgage pooled fund	**$ -**	**$ 2,222,873**	**$ -**	**$ 2,222,873**
Canadian equities	**757,604**	**-**	**-**	**757,604**
Global equities	**831,945**	**-**	**-**	**831,945**
Emerging market equities	**-**	**487,553**	**-**	**487,553**
Global pooled funds	**-**	**1,585,069**	**-**	**1,585,069**
Short-term investments	**-**	**12,801**	**-**	**12,801**
Real estate pooled funds	**-**	**-**	**1,059,518**	**1,059,518**
Real estate equity investments	**-**	**-**	**41,003**	**41,003**
Infrastructure	**-**	**-**	**1,250,337**	**1,250,337**
Liquid alternatives	**-**	**410,884**	**-**	**410,884**
Opportunistic investments	**-**	**-**	**300,620**	**300,620**
Private equities	**-**	**-**	**161,547**	**161,547**
Cash	**149,818**	**-**	**-**	**149,818**
Currency forward contracts	**-**	**6,035**	**-**	**6,035**
	$ 1,739,367	**$ 4,725,215**	**$ 2,813,025**	**$ 9,277,607**

	2021 (000s)			
	Level 1	Level 2	Level 3	Total
Bond pooled funds and mortgage pooled fund	$ -	$ 2,523,356	$ -	$ 2,523,356
Canadian equities	888,788	-	-	888,788
Global equities	1,016,772	-	-	1,016,772
Emerging market equities	-	529,538	-	529,538
Global pooled funds	-	1,715,406	-	1,715,406
Short-term investments	-	12,308	-	12,308
Real estate pooled funds	-	-	896,351	896,351
Real estate equity investments	-	-	44,512	44,512
Infrastructure	-	-	1,057,137	1,057,137
Liquid alternatives	-	486,324	-	486,324
Opportunistic investments	-	-	332,578	332,578
Private equities	-	-	57,406	57,406
Cash	163,379	-	-	163,379
Currency forward contracts	-	(4,622)	-	(4,622)
	$ 2,068,939	$ 5,262,310	$ 2,387,984	$ 9,719,233

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5. Investments (continued)

Level 3 Reconciliation		2022 (000s)		2021 (000s)
Opening balance	**$**	**2,387,984**	$	1,920,720
Acquisitions		**455,393**		506,546
Dispositions		**(322,944)**		(258,761)
Realised gain		**57,542**		71,818
Change in unrealised gain (loss)		**235,050**		147,661
	$	**2,813,025**	$	2,387,984

During the current year no investments were transferred between levels.

6. Investment Income

		2022 (000s)		2021 (000s)
Bond interest	**$**	**62,272**	$	48,170
Dividends		**100,729**		74,135
Interest on short-term investments and cash balances		**2,330**		1,353
Other income		**36,714**		71,266
	$	**202,045**	$	194,924

7. Pension Obligations

The pension obligations are the actuarial present value of the future expected pension benefit obligation to members as determined by the actuarial valuation done by Aon, an independent actuarial consulting firm, at least every three years. The last actuarial valuation was performed as of December 31, 2021. The present value of accrued pension benefits was then extrapolated to December 31, 2022, using the funding valuation cost method with the expectation that the Plan will continue on an ongoing basis.

Notes to the
Financial Statements

December 31, 2022

7. Pension Obligations (continued)

The assumptions used in determining the provision for accrued pension benefits may change from year to year depending upon current and long-term market conditions. The following is a summary of the significant actuarial assumptions:

Assumptions	2022	2021
Discount rate	**6.60%**	6.00%
Inflation rate	**2.00%**	2.00%
Mortality table	**SHEPP Mortality Table projected generationally with scale MI-2017**	SHEPP Mortality Table projected generationally with scale MI-2017
Remaining service life	**13.0 years**	12.9 years
Salary projection	**2.75% per year**	2.75% per year

The following illustrates the effect of changes in the interest rate and the salary and pensionable earnings assumptions:

- A 1 percent change in the discount rate results in approximately a 12 percent change in the pension obligations and;
- A 1 percent change in the salary scale and the pensionable earnings levels results in approximately a 3 percent change in the pension obligations.

8. Financial Risk Management

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

Significant financial risks are related to the Plan's investments. These financial risks are managed through policies within the SIP&P, which is subject to review and approval by the Board not less than annually.

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8. Financial Risk Management (continued)

Permitted investments under the SIP&P include equities; fixed income; cash and short-term investments; mortgages; derivatives; real estate; infrastructure; pooled funds and opportunistic investments. By investing in a well-diversified portfolio of asset classes and further diversifying within each asset class, risk is reduced. The SIP&P sets out the asset mix to achieve sufficient asset growth on a risk-controlled basis. The minimum, maximum and target weightings for each asset class, and sub-class, are clearly established within the total Fund policy asset mix.

The SIP&P sets out a minimum quality requirement of "BBB" for bonds and debentures at the time of purchase unless otherwise specified in an investment manager's mandate; a minimum rating of "R-1" for short-term investments at the time of purchase and a minimum quality standard of "A" at the time of transaction for counterparties in a derivative transaction. Downgrades in qualities of an asset below the established purchased standards require immediate disclosure to the Board and require the affected investment manager to set out a course of action to resolve the deviation.

In addition, the SIP&P includes maximum quantity restrictions. With limited specific exceptions, debt and equity holdings in a single company are limited to 10 percent of the carrying value of the total Fund. The Plan may not invest directly or indirectly in the securities of a corporation representing more than 30 percent of the votes that may be cast to elect the directors of the corporation.

Maximum quantity restrictions are also applied at the investment manager level. Each investment manager engaged by the Plan is responsible for investing the assets of the Plan in accordance with the SIP&P, the mandate prescribed by the Plan for the manager or the agreement under which the Plan has contracted the manager's services.

Credit risk

Credit risk is the risk that one party does not pay funds owed to another party. The Plan's credit risk arises primarily from two distinct sources: accounts receivable and certain investments. The maximum credit risk to which the Plan is exposed is limited to the carrying value of the financial assets summarised as follows:

		2022 (000s)		2021 (000s)
Cash	**$**	**149,818**	$	163,379
Employers' contributions receivable		**16,445**		16,091
Members' contributions receivable		**14,683**		14,367
Dividends receivable		**5,710**		9,290
Other receivables		**1,171**		580
Short-term investments		**12,801**		12,308
Fixed income *		**2,222,873**		2,523,356
	$	**2,423,501**	$	2,739,371

*Fixed income is comprised of bond pooled funds and mortgage pooled fund.

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8. Financial Risk Management (continued)

Members' and employers' contributions receivable and dividends receivable are generally received in less than 30 days. Accrued interest receivable is received on the next scheduled payment date, generally either annually or semi-annually.

Credit risk within short-term and fixed income investments is managed through the investment policy that establishes a minimum credit quality for issuers and spreads the risk amongst several issuers. The investment policy requires a minimum credit quality for individual bonds of BBB for issuers at the time of issue unless otherwise specified in an investment manager's mandate and R-1 for short-term investments.

Credit ratings for fixed income investments are as follows:

	2022		2021	
Credit rating	**Fair Value (000s)**	**Makeup of Portfolio**	Fair Value (000s)	Makeup of Portfolio
AAA	**$ 473,508**	**21.3%**	$ 581,528	23.0%
AA	**464,214**	**20.9%**	508,113	20.1%
A	**259,298**	**11.7%**	262,414	10.4%
BBB	**302,450**	**13.6%**	296,623	11.8%
Less than BBB	**176,921**	**8.0%**	322,335	12.8%
Other*	**546,482**	**24.5%**	552,343	21.9%
	$ 2,222,873	**100%**	$ 2,523,356	100%

*Other includes: mortgages, unrated fixed income securities, and net fixed income derivative exposure.

The Plan is also subject to credit risk through its use of forward currency contracts. The contracts are entered into between the Plan and approved counterparties. The credit risk is mitigated by limiting counterparties to specific entities approved by the Board.

As part of the Plan's securities lending strategy, collateral has been pledged to the Plan by various counterparties for securities out on loan to the counterparties. At December 31, 2022, the Plan's investments included loaned securities with a market value of $Nil (2021 – $308,986,000) and the fair value of securities and cash collateral received in respect of these loans was $Nil (2021 – $322,690,911).

Market risk

Market risk represents the potential for loss from changes in the value of financial instruments. Value can be affected by changes in interest rates, foreign exchange rates and equity prices. Market risk primarily impacts the value of investments.

8. Financial Risk Management (continued)

Interest rate risk

The Plan is exposed to changes in interest rates in its cash, short-term investments, bond pooled funds and mortgage pooled fund. Duration is a measure used to estimate the extent market values of these investments change with changes in interest rates. Using this measure, it is estimated that a 100 basis point increase/decrease in interest rates would decrease/increase net assets by $147,236,000 at December 31, 2022 (2021 – $166,393,000); representing 6.2 percent (2021 – 6.2 percent) of the $2,385,492,000 (2021 – $2,699,043,000) fair value of these investments.

Foreign exchange risk

The Plan is subject to changes in the United States/Canadian dollar exchange rate on its United States denominated investments. Also, the Plan is exposed to other non-North American currencies through its investment in non-Canadian equities, foreign infrastructure and foreign real estate. At December 31, 2022, the Plan's exposure to United States equities was 32.5 percent (2021 – 31.6 percent) and its exposure to non-North American equities was 19.4 percent (2021 – 18.2 percent).

The Plan manages this risk through the use of currency futures or forwards. At December 31, 2022, the fair value of currency forward contracts payable was $782,023,000 (2021 – $5,841,723,000) and the fair value of currency fund contracts receivable was $1,775,846,000 (2021 – $5,837,133,000).

Equity price risk

The Plan is exposed to changes in equity prices in Canadian, United States and other markets. Equities comprise 40 percent (2021 – 43 percent) of the market value of the Plan's total investments. Individual stock holdings are diversified by geography, industry type and corporate entity. A 10 percent change in equity prices would result in a $366,217,000 (2021 – $415,051,000) change in the Plan's net assets.

Real estate and infrastructure risk

Real estate and infrastructure assets are valued based on estimated fair values determined by using appropriate techniques and best estimates. An independent auditor performs an annual assessment on these estimated fair values to ensure the assets are fairly stated in all material aspects. Risk in the real estate portfolio is further managed through diversification across types and locations. Adverse impacts in any one segment of the market or geographic location are minimised by having holdings diversified across property type, geographic location and investment size.

Liquidity risk

Liquidity risk is the risk that the Plan is unable to meet its financial obligations as they fall due. Cash resources are managed on a daily basis based on anticipated cash flows. The following summarises the contractual cash flows of the Plan's financial liabilities:

December 31, 2022

8. Financial Risk Management (continued)

As at December 31, 2022	Contractual cash flows (000s) Carrying Amount	Total	Less than 1 year	2 – 4 years	5 years
Transfer deficiency holdbacks	**$ 48,324**	**$ 48,785**	**$ 9,620**	**$ 31,405**	**$ 7,760**
Accounts payable	**11,415**	**11,415**	**11,415**	**-**	**-**
	$ 59,739	**$ 60,200**	**$ 21,035**	**$ 31,405**	**$ 7,760**

As at December 31, 2021					
Transfer deficiency holdbacks	$ 51,356	$ 51,820	$ 11,555	$ 27,409	$ 12,856
Accounts payable	13,166	13,166	13,166	-	-
	$ 64,522	$ 64,986	$ 24,721	$ 27,409	$ 12,856

9. Related Party Transactions

These financial statements include transactions for the Plan's administrative expenses paid to 3sHealth. All transactions are recorded at the exchange amounts agreed by the two parties.

	2022 (000s)	2021 (000s)
Expenses	**$ 85**	$ 85

Key management personnel compensation

Key management personnel are those persons having authority over the planning, directing, and controlling activities of the Plan, which include directors and executive officers.

Key management personnel compensation is comprised of:

	2022 (000s)	2021 (000s)
Short-term employee benefits	**$ 1,666**	$ 1,512
Post-employment benefits		
Defined benefit retirement allowance	**125**	119
Total benefits	**$ 1,791**	$ 1,631

December 31, 2022

10. Investment Fees

Investment fees incurred by the Plan and reported in the Statement of Changes in Net Assets Available for Benefits are:

		2022 (000s)		2021 (000s)
Investment management fees	$	**54,377**	$	51,984
Investment performance fees		**27,393**		15,423
Investment consulting fees		**1,043**		783
Investment transaction fees		**1,542**		1,519
Total investment fees	$	**84,355**	$	69,709

The Plan incurs management fees which are base fees incurred for investment managers to manage the Plan's investments. Performance fees are incurred when certain returns are exceeded.

In addition to the fund management fees and performance fees incurred directly by the Plan, and reported separately on the Statement of Changes in Net Assets Available for Benefits, the Plan also incurs fund management and performance fees in Horizon and Sunrise. The fund management and performance fees recorded in Horizon and Sunrise are included within the unrealised market value gain on the Statement of Changes in Net Assets Available for Benefits.

Total investment management fees incurred by the Plan are:		2022 (000s)		2021 (000s)
Incurred directly by the Plan	$	**54,377**	$	51,984
Incurred through Sunrise		**139**		138
Incurred through Horizon		**1,820**		2,321
Total investment management fees	$	**56,336**	$	54,443

Total performance fees incurred by the Plan are:		2022 (000s)		2021 (000s)
Incurred directly by the Plan	$	**27,393**	$	15,423
Incurred through Sunrise		**-**		-
Incurred through Horizon		**4,522**		8,602
Total performance fees	$	**31,915**	$	24,025

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