Financial Statements of

THE SGEU LONG-TERM DISABILITY PLAN

And Independent Auditor's Report thereon

Year ended December 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Members of The SGEU Long term Disability Plan

Opinion

We have audited the financial statements of The SGEU Long term Disability Plan (the Plan), which comprise:

- the statement of financial position as at December 31, 2023
- the statement of changes in net assets available for benefits for the year then ended
- the statement of changes in disability obligations for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2023, and its changes in net assets available for benefits and its changes in pension obligation 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 Matter – Comparative Information

The financial statements for the year ended December 31, 2022 were audited by another auditor who expressed an unmodified opinion on those financial statements on April 26, 2023.

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
April 24, 2024

THE SGEU LONG-TERM DISABILITY PLAN

Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022
Assets		
Cash	$ 456,935	$ 1,407,964
Accounts receivable (note 4)	30,845	97,109
Premiums receivable	664,212	569,520
Investments (note 5)	61,156,394	55,534,154
Due from SGEU (note 7)	1,694,570	2,281,530
	64,002,956	59,890,277
Liabilities		
Bank indebtedness (note 3)	2,754,406	2,707,500
Accounts payable	1,150,430	2,311,673
	3,904,836	5,019,173
Net assets available for benefits	60,098,120	54,871,104
Disability obligations (note 6)	52,784,000	56,810,000
Surplus (deficit)	$ 7,314,120	$ (1,938,896)

See accompanying notes to financial statements.

On behalf of the Board:

Tracey Sauer President

Diane Ralph First Vice President

THE SGEU LONG-TERM DISABILITY PLAN

Statement of Changes in Net Assets Available for Benefits

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Increase in net assets:		
Investment income	$ 2,200,675	$ 1,543,909
Net gains on investments	3,838,726	-
Premiums	14,523,250	13,485,512
	20,562,651	15,029,421
Decrease in net assets:		
Net losses on investments	-	7,362,378
Disability benefits	11,782,991	11,868,805
Operating expenses (note 8)	3,552,644	2,808,794
	15,335,635	22,039,977
Net increase (decrease) for the year	5,227,016	(7,010,556)
Net assets available for benefits, beginning of year	54,871,104	61,881,660
Net assets available for benefits, end of year	$ 60,098,120	$ 54,871,104

See accompanying notes to financial statements.

THE SGEU LONG-TERM DISABILITY PLAN

Statement of Changes in Disability Obligations

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Increase in disability obligations:		
Accrual of disability benefits	$ 8,535,000	$ 10,785,000
Interest accrued on benefits	2,177,000	1,968,000
	10,712,000	12,753,000
Decrease in disability obligations:		
Expected disability benefits	11,157,000	10,769,000
Change in assumptions	3,581,000	3,031,000
	14,738,000	13,800,000
Net decrease for the year	(4,026,000)	(1,047,000)
Disability obligations, beginning of year	56,810,000	57,857,000
Disability obligations, end of year	$ 52,784,000	$ 56,810,000

See accompanying notes to financial statements.

Nature of operations:

1. Basis of preparation:

The SGEU Long-term Disability Plan (the Plan) is a multi-employer disability plan. The following description is a summary only. For more complete information, reference should be made to the Plan text. The financial statements have been prepared in accordance with Canadian accounting standards for pension plans as outlined in Part IV of the CPA Canada Handbook Section 4600, *Pension Plans*. For matters not addressed in Section 4600, Accounting Standards for Private Enterprises guidance has been implemented.

These financial statements are prepared on a historical cost basis and present the aggregate financial position of the Plan, independent of the participating employers and members. Only the assets and obligations to members eligible to participate in the Plan have been included in these financial statements. These financial statements do not portray the funding requirements of the Plan or the benefit security of the individual plan members.

2. Significant accounting policies:

The following policies are considered to be significant:

(a) Investment income and transaction costs:

The Plan recognizes interest income as earned and pooled fund revenue when a distribution is declared, realized gains and losses on investments when the investment has been sold and unrealized gains and losses based on the changes in the market value of the investments held. Realized gains and losses represent the difference between the amounts received through the sale of investments and their respective cost base. Transaction costs are recognized in the Statement of Changes in Net Assets Available for Benefits in the period incurred

2. Significant account policies (continued):

(b) Fair value measurement:

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. The Plan uses closing market price for fair value measurement.

When available, the Plan measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, then the Plan establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models.

All changes in fair value, other than interest and dividend income, are recognized in the statement of changes in net assets available for benefits as part of the current period change in fair value of investments.

(c) Foreign currency transactions and balances:

Transactions in foreign currencies are translated into Canadian dollars at the exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into Canadian dollars at the exchange rate at that date.

Foreign currency differences arising on translation are recognized in the statement of changes in net assets available for benefits within current period change in fair value of investments.

2. Significant account policies (continued):

(d) Premiums:

Premiums are recognized as revenue in the period which the premium Is applicable to and is recorded when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. Members of the participating bargaining units of the Plan pay premiums into the plan at the rate of 1.5% of gross salary (2022 – 1.5%).

(e) Disability benefits:

Disability benefits are recorded in the period in which they are paid or payable. Any benefits not paid at fiscal year-end are reflected in payables. Disability benefits are based on a percentage of the member’s salary, and is dependent on the date of disability as outlined in the Plan text.

(f) Income taxes:

The Plan is exempt from taxes under the provision 149 (1) (k) of the *Income Tax Act.*

(g) Financial instruments

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. Changes in fair value are recognized in net income in the period incurred. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Plan has elected to carry its investments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Plan determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of expected cash flows, the amount that could be realized from selling the financial asset, or the amount the Plan expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

2. Significant account policies (continued):

(h) Use of estimates:

The preparation of financial statements in conformity with Canadian accounting standards for pension plans requires management to make estimates and use assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the valuation of investments (note 5) and disability obligations (note 6). Actual results could differ from those estimates.

3. Bank indebtedness:

At December 31, 2023, the Plan maintains a margin account with its investment manager. The margin account is capped at 25% of the investment balance to a maximum of $5,000,000, but not to exceed a debt to equity ratio on the lendable assets of 1:1, of which $2,754,406 was drawn. The margin account bears interest at prime and is due on demand (2022 – margin account with the investment manager with a maximum limit equal to the value of the investments, with an interest rate of prime, of which $2,707,500 had been drawn at December 31). Accrued interest of $196,334 was added to the margin account (2022 - $109,199). The margin account is secured by a general security agreement and the Plan's investments are pledged as collateral.

4. Accounts receivable:

	2023	2022
Accounts receivable	$ 352,946	$ 592,535
Allowance for doubtful accounts	(322,101)	(495,426)
	$ 30,845	$ 97,109

5. Investments:

The investment objectives of the Plan are to ensure the Plan has sufficient assets to generate cash flow to meet disability benefit payments as they occur, and to achieve a long-term total rate of return, net of fees and expenses, at least equal to the long-term interest rate assumption used in the disability obligation valuation. The Plan has the following investments:

	2023	2022
Cash	$ 2,862,849	$ 2,075,898
Fixed income (interest rate of 1.75% - 5.85%; maturing between Feb 2025 - Dec 2051) (2022 - interest rate of 1.75% - 5.85%; maturing between Sept 2026 - Dec 2051)	28,084,649	15,473,338
Common shares	18,485,898	25,524,707
Foreign securities	4,838,010	3,758,212
Mutual funds	6,884,988	8,701,999
	$ 61,156,394	$ 55,534,154

The Plan's Investment Objectives and Policy Statement (SIP&P) outlines the allocation of market values as follows:

	Min weight	Benchmark weight	Max weight
Fixed income	40%	50%	70%
Canadian equities	15%	32.5%	32.5%
Global equities	0%	7.5%	7.5%
Real estate	0%	10%	10%

5. Investments (continued):

Cash and short-term investments

The SIP&P permits investments in cash and short-term investments on a short-term, temporary basis or within the portfolio for each asset class. All cash equivalents shall have a minimum credit rating of R-1.

Canadian bonds

The Plan's SIP&P permits investment in bonds and other debt instruments of Canadian issuers whether denominated and payable in Canadian dollars or a foreign currency, including mortgage-backed securities guaranteed under *The National Housing Act (Canada)*, term deposits and guaranteed investment certificates.

Equities

The Plan's SIP&P permits investments in equity securities, and equity substitutes that are convertible into equity securities, which are listed and traded on recognized exchanges. The Plan shall not invest more than 10% of Canadian equities in companies not included in the TSX Composite Index; not more than 10% of foreign equities invested in stocks having market capitalization below $500 million (USD); and not more than 5% of foreign equities invested in countries not included in the MSCI Index.

Real assets

The Plan may invest in real estate, either directly, or through pooled funds.

6. Disability obligations:

An actuarial valuation was performed by Eckler as at December 31, 2023 to determine the liability for the future cost of existing claims. The valuation also includes a provision for claims incurred but not yet reported.

The liability for claims is based on a number of assumptions about future events including: recovery and mortality rates, interest rates and expected benefits from other sources. The actual experience may vary significantly from the assumptions used.

6. Disability obligations (continued):

The actuary is appointed by SGEU's Provincial Council. The actuary is responsible for ensuring that the assumptions used in management's valuation of the provision for claims payable is in accordance with accepted actuarial practice, applicable legislation and associated regulations or directives. The actuary is also required to provide an opinion regarding the appropriateness of the Plan's provision for claims payable as at December 31, 2023. Examination of supporting data for accuracy and completeness, and a review of the valuation process used an analysis of the Plan's assets are important elements of the work required to form this opinion.

Significant long-term assumptions used in the valuation were:

Assumptions	2023 rate	2022 rate
Termination rate of claims	2011 Canadian Institute of Actuaries Group LTD Termination Table, adjusted for experience	2011 Canadian Institute of Actuaries Group LTD Termination Table, adjusted for experience
Expected rate of return on plan asset and discount rate	4.25%	4.25%
Inflation rate	2.5% for the first year, 2.00% for the following years based on consumer price index	3.00% for the first year, 2.00% for the following years - based on consumer price index
Cost of living adjustments	2.10% in 2024; 1.25% in 2025; 1.00% per year thereafter	3.95% in 2023; 1.50% in 2024; 1.00% per year thereafter
Percentage of claimants expected to be accepted for extension of benefits to age 65	40%	40%
Incurred but not yet reported claims	6/12ths of the estimated current year claims cost	6/12ths of the estimated current year claims cost

6. Disability obligations (continued):

The disability obligations is sensitive to changes in the discount rate, which impacts future claims benefits and the assumed real rate of return on Plan assets. A change in the following assumptions (with no other change in other assumptions) would have the following approximate effects on the disability obligations:

100 basis point decrease	Approximate effect on disability obligations ($)/(%)
Discount rate	+$2,298,000/+4.30%

7. Related party transactions:

The Plan is related to SGEU by virtue of common control. The members of the Plan are also members of SGEU. At December 31, 2023, the Plan has recorded an amount receivable from SGEU general fund of $1,694,570 (2022 - $2,281,530). This amount is based on the exchange amount, which is the amount of consideration established and agreed to by the related parties.

8. Operating expenses:

	2023	2022
Administrative services	$ 2,298,449	$ 1,302,357
Legal services	13,038	34,134
Adjudication services	913,424	1,017,672
Actuarial services	30,000	30,000
Audit services	30,000	32,000
Investment manager fees	267,733	392,631
	$ 3,552,644	$ 2,808,794

9. Capital management:

The Plan defines its capital as consisting of net assets available for benefits, which consists primarily of investments. Investments are managed to fund future disability obligations. The extent that net assets available for benefits are greater than disability obligations is reflected as a surplus or deficit. The objectives of managing the Plan's capital is to ensure that the Plan is fully funded to pay disability benefits as they arise and to keep contribution requirements stable.

The Plan receives new capital from premiums. The Plan also benefits from investment income and market value increases on its invested capital. Operational investment decisions have been delegated to external investment management firms, subject to investment mandates and performance standards as defined in the Plan's SIP&P.

10. Investment risk management:

Investment risk management relates to the understanding and active management of risks associated with invested assets. Investments are primarily exposed to credit risk and market risk (consisting of interest rate risk, foreign currency risk, and equity risk). The Plan maintains a SIP&P that establishes a diversified portfolio through different asset classes and limits the size of exposure to individual investments to manage risks. The SIP&P is reviewed annually.

Credit risk

Credit risk refers to the potential for counterparties to default on their contractual obligations to the Plan. Credit risk is managed through certain criteria and limits established in the SIP&P and is mitigated by entering into contracts with counterparties that are considered high quality. Quality is determined via Dominion Bond Rating Service (DBRS). Accounts receivable from two employers represents 63% (2022 – one employer represents 54%) of total accounts receivable as at December 31, 2023. The Plan believes that there is minimal risk associated with the collection of these amounts as the employers are government entities. The maximum credit risk to which the Plan is exposed to is limited to the carrying value of the financial assets carried on the statement of financial position.

Market risk

Market risk is the risk that the value of an investment will fluctuate due to market risk factors. Market risk factors includes interest rate risk, foreign currency risk and equity risk.

Interest rate risk

Interest rate risk refers to the effect on the market value of the Plan's investments due to fluctuation of interest rates. The risk arises from the potential variation in the timing and amount of cash flows related to the Plan's assets and liabilities. Asset values are affected by equity markets and short-term changes in interest rates. The fixed income portfolio has guidelines on duration and distribution which are designed to mitigate the risk of interest rate volatility.

10. Investment risk management (continued):

Foreign currency risk

Foreign currency risk arises from the Plan holding investments denominated in currencies other than the Canadian dollar. Fluctuations in the relative value of the Canadian dollar against these foreign currencies can result in a positive or negative effect on the fair value of the investments. The following items are denominated in foreign currency and have been converted to Canadian dollars at the reporting date:

	2023	2022
Investments foreign securities	$ 4,838,010	$ 3,758,212

Equity risk

Equity risk refers to the effect on the market value of the Plan's investments as a result of stock market dynamics. The Plan's investments are exposed to stock market dynamics and changes in equity prices in Canada, the United States and other non-American markets through its fixed income, common shares, foreign securities and mutual funds. Equity price risk is managed through strategic geographical and sector allocations.

Liquidity risk

Liquidity risk is the risk of encountering difficulty in meeting financial obligations. The liquidity needs of the Plan are low and managed by limiting the Plan's exposure to illiquid assets. The liability matching investment portfolio is designed to generate adequate income returns to ensure the Plan meets its financial obligations as they fall due. Disability benefit payments are paid monthly and accounts payable are generally paid within 30 days.

11. Comparative information:

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.