Toronto Police Widows and Orphans Fund

Financial Statements

For the Years Ended December 31, 2023 and 2022

INDEPENDENT AUDITOR'S REPORT

To the members of Toronto Police Widows and Orphans Fund

Opinion

We have audited the financial statements of Toronto Police Widows and Orphans Fund (the "Fund"), which comprise the statement of financial position as at December 31, 2023 and 2022, and the statements of profit or loss and other comprehensive income, fund balance and cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

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 report. We are independent of the Fund 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

As discussed in Note 5 and Note 6 to the consolidated financial statements, the Fund changed its method for accounting for insurance contracts in the periods presented due to the adoption of IFRS 17 Insurance Contracts. Additionally, the Fund implemented IFRS 9 Financial Instruments. Our opinion is not modified with respect to these matters.

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 International Financial Reporting Standards, 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 Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund'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 these 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 Fund'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 Fund'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 Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
February 28, 2024
Toronto, Ontario

REPORT OF THE APPOINTED ACTUARY

To the policyholders of Toronto Police Widows and Orphans Fund:

I have valued the policy liabilities of Toronto Police Widows and Orphans Fund for its financial statements prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2023.

In my opinion, the amount of policy liabilities is appropriate for this purpose. The valuation conforms to accepted actuarial practice in Canada and the financial statements fairly present the results of the valuation.

FCIA
Signature of Appointed Actuary

February 26, 2024
Date Opinion was Rendered

Clayton Zaluski, FCIA
Printed Name of Appointed Actuary

Winnipeg, Manitoba
Location Opinion was Rendered

Toronto Police Widows and Orphans Fund
Statement of Financial Position
As at December 31, 2023 and 2022

		2023		2022
Assets				
Cash and cash equivalents (Note 5)	$	**584,887**	$	534,152
Investments (Note 11)		**96,770,737**		90,517,898
Reinsurance Assets (Note 7)		**11,862**		-
Accrued Investment Income and prepaid expenses (Note 15)		**486,708**		206,011
Intangible Asset (Note 5 and Note 12)		**333,551**		232,242
Right-of-use assets (Note 13)		**32,566**		43,421
Furniture and equipment		**5,460**		21,133
Income taxes recoverable (Note 19)		**-**		152,925
	$	**98,225,771**	$	91,707,782
Liabilities and Fund Balance				
Income taxes payable (Note 19)	$	**1,116,459**	$	-
Deferred tax liability (Note 19)		**1,083,107**		1,759,514
Accounts payable and Accrued charges (Note 17)		**299,644**		179,883
Insurance contract liabilities (Note 10)		**77,384,858**		72,779,238
Lease liability (Note 13)		**40,923**		52,448
		79,924,991		74,771,083
Fund Balance		**18,300,780**		16,936,699
	$	**98,225,771**	$	91,707,782

Approved by the Board

C Hamilton
Chuck Hamilton (Feb 28, 2024 13:05 EST)
Officer

Sylvi Karr
Officer

Toronto Police Widows and Orphans Fund
Statement of Fund Balance
For the Year Ended December 31, 2023 and 2022

	Fund Balance
Balance at January 1, 2022, as previously reported	**$ 12,768,138**
Adjustment on initial application of IFRS 17 and IFRS 9 (Note 6)	**18,072,129**
IFRS 17 tax effect	**(1,673,250)**
Restated balance at January 1, 2022	**29,167,017**
Profit (loss) for the year	**(12,230,318)**
Restated balance at December 31, 2022	**16,936,699**
Investment adjustment (Note 20)	**(996,939)**
Profit (loss) for the year	**2,361,020**
Balance at December 31, 2023	**$ 18,300,780**

See accompanying notes

Toronto Police Widows and Orphans Fund
Statement of Profit or Loss and Other Comprehensive Income
Year Ended December 31, 2023 and 2022

	2023	2022
Insurance revenue (Note 8)	$ **4,286,574**	$ 4,162,635
Insurance service expense (Note 8)	**(3,752,844)**	(3,681,783)
Net expenses from reinsurance contract held (Note 8)	**(10,873)**	(11,862)
Insurance service result	**522,857**	468,990
Net gains (losses) on FVTPL investments (Note 14)	**10,253,642**	(30,343,954)
Investment income (Note 14)	**398,770**	240,745
Investment management expense	**(152,262)**	(160,550)
Investment custodial expense	**(49,159)**	(56,119)
Net investment income	**10,450,991**	(30,319,878)
Finance expense (income) from insurance contracts held (Note 9)	**7,466,414**	(18,070,837)
Net insurance and investment result	**3,507,434**	(11,780,051)
Other income	**22,658**	23,347
General expenses	**(726,680)**	(659,246)
Other income (expenses)	**(704,022)**	(635,899)
Income (loss) before income taxes	**2,803,412**	(12,415,950)
Income taxes (recovered) (Note 19)		
Current	**1,118,855**	(152,925)
Deferred	**(676,463)**	(32,707)
	442,392	(185,632)
Total net profit (loss) and comprehensive income	$ **2,361,020**	$ (12,230,318)

See accompanying notes

Toronto Police Widows and Orphans Fund
Statement of Cash Flows
Year Ended December 31, 2023 and 2022

		2023		2022
Cash provided by (used in)				
Operations				
Net income (loss) for the year	$	**2,361,020**	$	(12,230,318)
Items not affecting cash outlays				
Unrealized (gains) losses on fair value through profit or loss assets		**(11,574,950)**		14,577,118
Reinvested distributions		**(1,517,036)**		(4,225,707)
Realized losses on investments		**2,838,344**		19,992,542
Amortization of furniture, equipment, and right-of-use asset		**46,715**		19,301
Repayment of lease		**(14,364)**		(13,963)
Deferred income taxes		**-**		(1,645,571)
Interest on lease liability		**2,839**		3,490
		(7,857,432)		16,476,892
Change in working capital				
Accrued investment income and prepaid expenses		**(281,532)**		(139,545)
Reinsurance assets		**(11,862)**		-
Change in actuarial liabilities for insurance contracts		**4,606,457**		(20,941,280)
Accounts payable and accrued charges		**130,953**		7,064
Income taxes payable (recoverable)		**1,269,384**		(264,594)
Project costs		**(11,459)**		(117,311)
Deferred tax liability		**(676,463)**		1,640,543
		(2,831,954)		(3,338,231)
Investing				
Purchase of investments		**(12,639,799)**		(65,859,514)
Proceeds on sale and redemption of investments		**15,643,640**		69,581,192
Purchase of furniture and equipment		**(121,152)**		-
Purchase of intangible asset		**-**		(114,931)
		2,882,689		3,606,747
Net change in cash and cash equivalents		**50,735**		268,516
Cash and cash equivalents, beginning of year		**534,152**		265,636
Cash and cash equivalents, end of year	$	**584,887**	$	534,152
Represented by:				
Cash in bank	$	**84,887**	$	134,152
Cash equivalents		**500,000**		400,000
	$	**584,887**	$	534,152

See accompanying notes

1. DESCRIPTION OF THE BUSINESS

The Toronto Police Widows and Orphans Fund (the "Fund") was incorporated under the Companies Act of Ontario as a fraternal society without share capital on May 19, 1952 and is domiciled in Canada. The Fund is regulated by the Office of the Superintendent of Financial Institutions ("OSFI"). The Fund is maintained exclusively for the purposes of providing future benefits to its members. These benefits include providing insurance on the lives of its members, financial assistance with legal costs pertaining to the establishments of wills or power of attorney for its members, and the maintenance and disbursements of endowment entitlements to its members upon retirement from employment with the Toronto Police Service. The Fund's registered address is 2075 Kennedy Road, Suite 200, Toronto, Ontario M1T 3V3.

2. ROLE OF THE APPOINTED ACTUARY

The Appointed Actuary is responsible for ensuring that the assumptions and methods used in the valuation of policy liabilities are in accordance with accepted actuarial practice in Canada, applicable legislation and associated regulations and directives.

The Appointed Actuary is required to provide an opinion on the appropriateness of the policy liabilities as presented on the Statement of Financial Position at the fiscal year. Examination of sufficiency and reliability of policy data are important elements of the work required to form this opinion.

The Appointed Actuary, in his verification of the underlying data used in the valuation, also considers the work of the external auditor. The Appointed Actuary's report outlines the scope of his work and opinion.

The Appointed Actuary is also required each year to analyze the current and future financial condition of the Fund and prepare a report for the Board. The analysis tests the capital adequacy of the Fund.

3. BASIS OF PREPARATION

Statement of Compliance

The financial statements are prepared on a going-concern basis as an independent financial entity. The accounting policies used to prepare the financial statements are in accordance with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board (IASB).

Details of the Fund's material accounting policies are in included in Note 5.

This is the first set of the Fund's annual financial statements in which IFRS 17 *Insurance Contracts* and IFRS 9 *Financial Instruments* have been applied. The related changes to material accounting policies are described in Note 6.

The financial statements were authorized for issue by the Board of Directors on February 28, 2024.

3. BASIS OF PREPARATION (Cont'd)

Basis of Measurement

The financial statements have been prepared on the historical cost basis except for certain assets that have been measured at fair value and insurance and reinsurance contracts liabilities which are measured in accordance with IFRS 17

4. USE OF JUDGEMENTS AND ESTIMATES

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. If the underlying estimates and assumptions change in future periods, actual amounts may differ from those included in the accompanying financial statements.

Fulfilment Cash Flows and Estimates of Cash Flows

Fulfilment cash flows comprise of estimates of future cash flows, an adjustment to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows and a risk adjustment for non-financial risk.

The estimates of future cash flows are based on a probability-weighted mean of the full range of possible outcomes, are determined from the perspective of the Fund, provided that the estimates are consistent with observable market prices for market variables and reflect conditions existing at the measurement date.

Discount Rates

The estimates of future cash flows are adjusted using the current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of cash flows. The discount rates reflect the characteristics of the cash flows arising from the groups of insurance contracts, including timing, currency, and liquidity of cash flows. The determination of the discount rate that reflects the characteristics of the cash flows and liquidity characteristics of the insurance contracts requires significant judgment and estimation.

Contract Boundaries

The assessment of the contract boundary, which defines which future cash flows are included in the measurement of a contract, requires judgement and consideration of the Fund's substantive rights and obligations under the contract. Moreover, specific to insurance and reinsurance contracts there is an assessment of whether the contract

4. USE OF JUDGEMENTS AND ESTIMATES (Cont'd)

Contract Boundaries (Cont'd)

transfers significant insurance risk, identification of portfolios of contracts, determination of groups of contracts that are onerous on initial recognition and those that have no significant possibility of becoming onerous subsequently and applying techniques for estimating risk adjustments for non-financial risk.

Risk Adjustments for Non-Financial Risk

The risk adjustment (RA) compensates the Fund for non-financial risk relating to the uncertainty about the amount and timing of fulfilment cash flows. The RA is estimated separately from other estimates and is included in both the Liability for Remaining Coverage (LRC) and the Liability for Incurred Claims (LIC).

Assumption and Estimates Uncertainties

In addition to the judgements outlined above, other assumptions and estimation uncertainties as at December 31, 2023 may have a material impact on the carrying amounts of assets and liabilities in the next financial year including measurement of the fair value of financial instruments, recognition of deferred taxes.

5. MATERIAL ACCOUNTING POLICIES

Cash and Cash Equivalents

Cash and cash equivalents include cash on account, demand deposits and short-term liquid investments with original maturities of less than three months.

Right of Use Asset and Lease Liability

The Fund recognizes the leased property as a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at the present value of the future cash flows associated with the lease contract plus any initial direct costs and payments at or before the lease commencement date and less any lease incentives. Depreciation is recognized in the Statement of Profit or Loss and Other Comprehensive Income over the contractual terms set out in the lease agreement.

The lease liability is measured at the present value of future lease payments using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Fund's incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest method, decreased by lease payments made. The lease liability is remeasured when there is a change in future lease payments arising from a change in discount or index rate, change in estimate of the amount expected to be payable under a residual value guarantee, or changes in the assessment of whether a purchase, extension or termination option is reasonably certain to be exercised or not.

5. MATERIAL ACCOUNTING POLICIES (Cont'd)

Financial Instruments

Financial Assets at Fair Value through Profit or Loss ("FVTPL")

Pooled funds are designated as FVTPL. Investments in pooled funds designated as FVTPL are recorded at fair value, with changes in fair value recorded to income from investments. The Fund also holds investments in money market funds and guaranteed investment certificates designated at FVTPL.

Impairment

Since Pooled funds are designated as FVTPL with changes in fair value recorded to income, any reduction in the value of the assets due to impairment is already reflected in investment income.

Fair Values

The Fund's investments in fixed income and equity pooled funds ("Investee Funds") are subject to the terms and conditions of the respective Investee Fund's prospectus or offering memorandum. The investments in Investee Funds are valued based on the latest available redemption price of such units for each Investee Fund, as determined by the Investee Funds' administrators.

The Fund reviews the details of the reported information obtained from the Investee Funds and considers:

- the liquidity of the Investee Fund or its underlying investments;
- the value date of the net asset value (NAV) provided;
- any restrictions on redemptions; and
- the basis of accounting and, in instances where the basis of accounting is other than fair value, fair value information provided by the Investee Fund's advisors or fund managers.

If necessary, the Fund makes adjustments to the NAV of various Investee Funds to obtain the best estimate of fair value.

Intangible Assets

The intangible assets generated through the capitalization of software developments costs are carried on the Statement of Financial Position on a cost basis. These costs have been capitalized in accordance with IAS 38 *Intangible Assets* International Accounting Standard. Management has estimated that the assets have a finite useful life of 3 years. They are amortized on a straight-line basis, in accordance with the amortization of the Fund's other assets classes. Amortization commenced once the assets were brought into use in 2023. Amortization is recognized within administrative expenses in the Statement of Profit or Loss and Other Comprehensive Income. Management assesses the intangible asset for impairment annually and has concluded there is no indication of impairment in the period.

Other

All investment transactions are recorded on the trade date. Transaction costs related to financial assets and liabilities classified as other than FVTPL are capitalized upon initial recognition.

5. MATERIAL ACCOUNTING POLICIES (Cont'd)

Donations

Donations included in other income are recognized as income when received.

Income from Investments

Income and capital gains distributions from fixed income and equity pooled funds held within the FVTPL portfolio are recorded in investment income on the date the distribution is declared.

Income Taxes

The tax expense includes both an expense for current income tax balance and an expense for deferred income tax. Current tax expense represents the expected tax payable resulting from the current year's taxable profits.

Deferred tax expense represents the movement during the year in the cumulative temporary differences between the carrying value of the Fund's asset and liabilities on the Statement of Financial Position and their values for tax purposes. Deferred tax is measured using enacted and substantively enacted tax rates. Deferred tax is charged or credited to the Statement of Income.

In determining the impact of taxes, the Fund is required to comply with the standards of both the Canadian Institute of Actuaries (CIA) and those of the IASB. Actuarial standards require that the projected timing of all cash flows associated with policy liabilities, including income taxes, be included in the determination of policy liabilities.

The insurance contract liabilities are first computed including all related income tax effects on a discounted basis, including the effects of temporary differences which have already occurred. Deferred tax assets and/or liabilities arising from temporary differences which have already occurred are computed without discounting. These amounts are reclassified from the policy liabilities to deferred tax balances to show them separately on an undiscounted basis on the Statement of Financial Position. The net result of this reclassification is to leave the discounting effect of the deferred tax balances in the insurance contract liabilities.

Insurance Contract Liabilities have been determined using accepted actuarial practice, according to standards established by the CIA. Insurance contract liabilities represent the present value estimate of future cash flows that are expected to arise as the Fund fulfils it insurance contracts coupled with a contract service margin and risk adjustment component.

6. CHANGES IN MATERIAL ACCOUNTING POLICIES

IAS 1 Presentation of Financial Statements sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts. Under IAS 1 there is a change in focus from significant to material accounting policies. For the Fund there was no impact other than changing the name of this respective section to material accounting policies.

The Fund has initially applied IFRS 17 and IFRS 9, including any consequential amendments to other standards, from January 1, 2023. These standards have brought material changes to the accounting for insurance and reinsurance contracts and financial instruments. As a result, the Fund has restated certain financial statement line items as at January 1, 2022. The following table reconciles the carrying amounts of those items affected by the adoption of IFRS 17 and IFRS 9.

Financial Instruments	January 1, 2022 as reported	Reclassification	Remeasurement	January 1, 2022 restated under IFRS 17 and IFRS 9
Due receivable	$ 53,000	$ (53,000)	$ -	$ -
Unpaid benefit claims	131,057	(131,057)*	-	-
Actuarial liabilities for insurance contracts	111,714,580	-	(111,714,580)*	-
Comprehensive income	422,356	(422,356)*	-	-
Insurance contract liabilities	-	-	-	-
Reclassified from dues receivables	-	(53,000)	-	(53,000)
Remeasured from actuarial liability for insurance contracts	-	-	93,773,508 *	93,773,508
Fund balance	-	-	-	-
Reclassified from unpaid benefit claims	-	131,057	-	131,057
Reclassified from comprehensive income	-	422,356 *	-	422,356
Remeasured from actuarial liability for insurance contracts	-	-	17,994,073	17,994,073

*The sum of these balances results in the IFRS 17 equity adjustment of $18,072,129 as at January 1, 2022.

Except for the changes below relating specifically to the date of transition to IFRS 9 and IFRS 17 adoption, the Fund has consistently applied the accounting policies as set out in Note 5 and 6 to all periods presented in these financial statements.

The nature and effects of the key changes in the Fund accounting policies resulting from its adoption of IFRS 17 and IFRS 9 are summarized below.

6. CHANGES IN MATERIAL ACCOUNTING POLICIES (Cont'd)

IFRS 17 Insurance Contracts

Recognition, measurement and presentation of insurance contracts

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts and reinsurance contracts. It introduces a model (general measurement model or “GMM”) that measures groups of contracts based on the Fund's estimates of the present value of future cash flows that are expected to arise as the Fund fulfills the contracts, an explicit risk adjustment for non-financial risk and a contractual service margin (“CSM”). The Fund applies GMM for its Individual Insurance Portfolio.

Under IFRS 17, insurance revenue in each reporting period represents the changes in the liabilities for remaining coverage (“LRC”) that relate to services for which the Fund expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows.

For insurance contracts measured under the GMM, insurance revenue includes claims and other insurance service expenses as expected at the beginning of the reporting period.

Under IFRS 17, insurance acquisition cash flows are allocated to existing contracts on a systematic and rational basis. For insurance contracts measured under the GMM, on initial recognition of a group of contracts, the allocated insurance acquisition cash flows decrease the CSM and are thus implicitly deferred within the CSM, leading to a lower amount of CSM amortization recognized in revenue in future reporting periods as services are rendered. However, for presentation purposes, directly attributable acquisition costs allocated to a group of contracts are amortized as an insurance service expense in a systematic way on the basis of the passage of time, with an equal amount recognized as insurance revenue.

The risk adjustment in the insurance liability reflects the compensation that an insurer requires for bearing the uncertainty arising from non-financial risk. For insurance contracts issued, a portion of the risk adjustment for non-financial risk relating to the LRC is recognized in insurance revenue as the risk is released, while a portion relating to the liability for incurred claims (“LIC”) is recognized in insurance service expenses.

Measurement of the LIC is similar regarding the measurement of the Incurred but Not Reported (IBNR) as applied previously.

Finance income and expenses from insurance and reinsurance contracts held, are presented separately from insurance revenue and insurance service expenses.

Income and expenses from reinsurance contracts other than finance income from reinsurance contracts held are now presented as a single net amount in profit or loss. Previously, amounts recovered from reinsurers and reinsurance expenses were presented separately.

6. CHANGES IN MATERIAL ACCOUNTING POLICIES (Cont'd)

IFRS 9 Financial Instruments

Classification of financial assets

IFRS 9 – Financial Instruments amends the requirements for classification and measurement of financial assets, impairment, and hedge accounting. IFRS 9 introduces an expected loss model of impairment and retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through profit or loss, and fair value through other comprehensive income (loss). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The effective date for IFRS 9 has been deferred to align with the effective date of IFRS 17 of January 1, 2023. The Fund has applied IFRS 17 and IFRS 9 effective Jan 1, 2023.

IFRS 9 - Application

For IFRS 9 application, the Fund elected certain financial assets to be classified as FVTPL. Other financial assets will be classified as amortized cost and financial liabilities are carried at amortized cost.

For invested assets that are held by the Fund in pooled funds, the fund has determined that such pooled funds are equity investments. For certain pooled funds (i.e. equity investments held by the Fund that were classified as available for sale in applying IAS 39), the Fund has elected to retrospectively redesignate and reclassify them to be FVTPL to eliminate the accounting mismatch between measurement of financial assets and insurance liabilities.

The Fund has determined, as a result of its choice of accounting policy, that key financial assets will be out of scope for impairment under IFRS 9. Dues Receivable as a contract asset is deemed immaterial and limited in duration and not subject to any loss allowance or impairment consideration. For those financial instruments measured at FVTPL, any effect of impairment is duly recognized in the financial statements at time of accounting recognition and subsequent measurement.

For the Fund, insurance income and expenses will be recognized entirely through the Statement of Profit or Loss and Other Comprehensive Income under insurance service results as to align to the IFRS presentation standards.

IFRS 9 – Effect of initial application

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Fund's financial assets and financial liabilities as at January 1, 2023.

Financial Assets	Original Classification under IAS 39	New Classification under IFRS 9	Original Carrying Amount under IAS 39	New Carrying Amount under IFRS 9
Cash and cash equivalents	FVTPL	FVTPL	$ 534,152	$ 534,152
Investments - ALM portfolio	FVTPL	FVTPL	74,203,033	74,203,033
Investments under surplus portfolio	AFS	FVTPL	8,314,842	8,314,842

6. CHANGES IN MATERIAL ACCOUNTING POLICIES (Cont'd)

Insurance Contracts

An insurance contract is a contract under which the Fund accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiaries if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiaries. Insurance risk is the risk other than financial risk, transferred from the holder of the contract to the issuer.

Financial risk is the risk of a possible future change in one or more of the following: a specified interest rate, a security price, a commodity price, a foreign exchange rate, an index of prices or rates, or a credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance contracts may also transfer some financial risk.

Insurance risk is significant if and only if an insured event could cause the Fund to pay significant additional benefits. Once a contract is classified as an insurance contract it remains classified as an insurance contract until all rights and obligations are extinguished or expire.

The Fund’s products are stand-alone insurance contracts with a single insurance component. Insurance contracts issued by the Fund do not contain any components that require separation by IFRS 17. Insurance contracts issued and reinsurance contracts held do not include any non-distinct investment components.

Insurance Contracts Measurement and Associated Cash Flows

The fund applied the GMM measurement approach for its individual insurance contracts.

(a) Fulfillment Cash Flows (FCF)

The FCF are the current estimates of the future cash flows within the contract boundary of a group of contracts that the Fund expects to collect from premiums and pay out for claims, benefits, and expenses, adjusted to reflect the timing and the uncertainty of those amounts.

The estimates of future cash flows are based on a probability-weighted mean of the full range of possible outcomes, are determined from the perspective of the Fund, provided that the estimates are consistent with observable market prices for market variables and reflect conditions existing at the measurement date. An explicit risk adjustment for non-financial risk is estimated separately from the other estimates.

The estimates of future cash flows are adjusted using the current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of cash flows. The discount rates reflect the characteristics of the cash flows arising from the groups of insurance contracts, including timing, currency, and liquidity of cash flows. The determination of the discount rate that significant judgment and estimation.

6. CHANGES IN MATERIAL ACCOUNTING POLICIES (Cont'd)

Insurance Contracts Measurement and Associated Cash Flows (Cont'd)

(a) Fulfillment Cash Flows (FCF) (Cont'd)

The Fund updates the FCF for current assumptions at the end of every reporting period, using the current estimates of the amount, timing, and uncertainty of future cash flows and of discount rates. The way in which the changes in estimates of the FCF are treated depends on which estimate is being updated:

- changes that relate to current or past service are recognized in profit or loss; and
- changes that relate to future service are recognized by adjusting the CSM or the loss component within the LRC as per the policy below.

The following adjustments relate to future service and thus adjust the CSM and are measured using discount rates determined on initial recognition (the locked-in discount rates):

- experience adjustments – arising from premiums received in the period related to future service and related cash flows such as insurance acquisition cash flows and premium-based taxes.
- changes in estimates of the present value of future cash flows in the LRC, except the following:
  - changes in the FCF for the effect of the time value of money and the effect of financial risk and changes thereof;
  - changes in the FCF relating to the LIC; and
  - experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows)
  - changes in the risk adjustment for non-financial risk that relate to future service.

Subsequently for groups of contracts measured under the GMM, the carrying amount at the end of each reporting period of a group of insurance contracts issued is the sum of:

- The liability for remaining coverage LRC, comprising of the FCF related to future service allocated to the group at that date and the CSM of the group at that date
- The LIC, comprising the FCF related to past service allocated to the group at the reporting date.

(b) Contract Boundary Cash Flows

The measurement of a group of contracts includes all the future cash flows within the boundary of each contract in the group.

Cash flows are within the boundary of a contract if they arise from substantive rights and obligations that exist during the reporting period under which the Fund can compel the policyholder to pay premiums or has a substantive obligation to provide services.

6. CHANGES IN MATERIAL ACCOUNTING POLICIES (Cont'd)

Insurance Contracts Measurement and Associated Cash Flows (Cont'd)

(b) Contract Boundary Cash Flows (Cont'd)

A substantive obligation to provide services ends when:

- The Fund has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
- The Fund has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio; and the pricing of the premiums for coverage up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

In assessing the practical ability to reprice, risks transferred from the policyholder to the Fund, such as insurance risk and financial risk, are considered.

Cash flows outside the insurance contracts boundary relate to future insurance contracts and are recognized when those contracts meet the recognition criteria.

Cash flows that are not directly attributable to a portfolio of insurance contracts are recognized in other operating expenses as incurred.

(c) Insurance Acquisition Cash Flows

Acquisition cash flows are cash flows that arise from costs of selling, underwriting, and starting a group of insurance contracts (issued or expected to be issued) and that are directly attributable to the portfolio of insurance contracts to which the group belongs.

Insurance acquisition cash flows are allocated to groups of insurance contracts on a systematic and rational basis. Insurance acquisition cash flows that are directly attributable to a group of insurance contracts are allocated to existing groups of contracts.

Insurance acquisition cash flows not directly attributable to a group of contracts but directly attributable to a portfolio of contracts are allocated to groups of contracts in the portfolio or expected to be in the portfolio.

(d) Risk Adjustment for Non Financial Risk

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows, and it reflects the compensation that the Fund requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Fund fulfills insurance contracts.

For reinsurance contacts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Fund to the reinsurer.

6. CHANGES IN MATERIAL ACCOUNTING POLICIES (Cont'd)

Contractual Service Margin Measurement

Included in the GMM measurement model is the CSM. The CSM is a component of the carrying amount of the asset or liability for a group of insurance contracts issued representing the unearned profit that the Fund will recognize as it provides insurance contract services in the future.

At initial recognition, the CSM is an amount that results in no income or expenses arising from:

- The initial recognition of the FCF; and
- Cash flows arising from the contracts in the group at that date.

Subsequently at the end of each reporting period the Fund adjusts the carrying amount of the CSM to reflect the effect of the following changes:

- The effect of any new contracts added to the group;
- Interest accreted on the carrying amount of the CSM;
- Changes in the FCF relating to future service are recognized by adjusting the CSM. Changes in the FCF are recognized in the CSM to the extent that the CSM is available. When an increase in the FCF exceeds the carrying amount of the CSM, the CSM is reduced to zero, the excess is recognized in insurance service expenses and a loss component is recognized within the LRC. When the CSM is zero, changes in the FCF adjust the loss component within the LRC with a corresponding impact to insurance service expenses. The excess of any decrease in the FCF over the loss component reduces the loss component to zero and reinstates the CSM; and
- The amount recognized as insurance revenue for insurance contract services provided during the period, determined after all other adjustments above.

Contractual Service Margin Interest Accretion

Under the GMM, interest is accreted on the CSM using discount rates determined at initial recognition that are applied to nominal cash flows that do not vary based on the returns of underlying items.

Contractual Service Margin Release

The amount of the CSM recognized in profit or loss for insurance contract services in the period is determined by the allocation of the CSM remaining at the end of the reporting period over the current and remaining expected coverage period of the group of insurance contracts based on coverage units.

The coverage period is defined as a period during which the Fund provides insurance contract services for an insured event (insurance coverage).

6. CHANGES IN MATERIAL ACCOUNTING POLICIES (Cont'd)

Contractual Service Margin Release (Cont'd)

The total number of coverage units in a group is the quantity of service provided by the contracts in the group over the expected coverage period. The coverage units are determined at each reporting period-end prospectively by considering:

- the quantity of benefits provided by contracts in the group;
- the expected coverage period of contracts in the group; and
- the likelihood of insured events occurring, only to the extent that they affect the expected coverage period of contracts in the group.

The Fund uses the current face amount as the basis for the quantity of services and does not reflect the time value of money in the allocation of the CSM to coverage units for the determination of the services provided in the period.

Insurance Service Results Presentation

Insurance Revenue

As the Fund provides insurance contract services under the group of insurance contracts, it reduces the LRC and recognizes insurance revenue. The amount of insurance revenue recognized in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration that the Fund expects to be entitled to in exchange for those services.

For contracts measured under the GMM, insurance revenue comprises the following:

- Amounts relating to the changes in the LRC:
  - claims and other directly attributable expenses incurred in the period measured at the amounts expected at the beginning of the period, excluding;
  - amounts allocated to the loss component;
  - amounts of transaction-based taxes collected in a fiduciary capacity;
  - insurance acquisition expenses; and
  - amounts related to the risk adjustment for non-financial risk.
- Changes in the risk adjustment for non-financial risk, excluding:
  - changes included in insurance finance income (expenses);
  - changes that relate to future coverage (which adjust the CSM); and
  - amounts allocated to the loss component.
- Amounts of the CSM recognized for the services provided in the period; and
- Experience adjustments – arising from premiums received in the period other than those that relate to future service.

The Fund allocates a portion of premiums that relate to recovering insurance acquisition cash flows to each period in a systematic way based on the passage of time over the expected coverage of a group of contracts without adjustments for the time value of money. The Fund recognizes the allocated amount as insurance revenue and an equal amount as insurance service expenses.

6. CHANGES IN MATERIAL ACCOUNTING POLICIES (Cont'd)

Insurance Service Results Presentation (Cont'd)

Insurance Service Expense

Insurance service expenses include the following:

- incurred claims and benefits reduced by loss component allocations;
- other incurred directly attributable expenses;
- insurance acquisition cash flows amortization;
- changes that relate to past service – changes in the FCF relating to the LIC; and
- changes that relate to future service – changes in the FCF that result in onerous contract losses or reversals of those losses;

Other expenses not meeting the above categories are included in other operating expenses in the consolidated statement of operations.

Insurance Service Result From Reinsurance

The Fund uses reinsurance in the normal course of business for the purpose of limiting its net loss exposure through the transfer of its risks along with the respective premiums. Reinsurance arrangements do not relieve the Fund from its direct obligations to its policyholders.

Transition to IFRS 17

Upon transition to IFRS 17, the Fund utilized the Fair Value Approach for any insurance contracts issued on or before December 31, 2021. The Fair Value Approach is a prescribed method under IFRS 17 in determining the CSM using the fair value of the insurance contracts less fulfillment cashflows to service the insurance contract at the transition date. The CSM represents the unearned profit that the Fund expects to earn as it provides insurance services to its members.

Management judged that the Canadian Institute of Actuaries (CIA) reference curve was an appropriate discount rate for the Fair Value measurement because it comprises a risk-free curve and then adds an illiquidity premium to the risk-free rates that represents the liquidity characteristics of the liability cash flows. Moreover, use of the CIA reference curve is in line with industry practices.

Upon transition Management identified one portfolio of insurance contracts whereby the Fund has deemed the Fair Value Approach to be a more economical approach in terms of effort, time and cost to implement for any insurance contracts issued on or before December 31, 2021. For insurance contracts issued on or after January 1, 2022, the general measurement model of IFRS 17 was applied.

IFRS 17 Discount Rate

The Fund has determined the main impact of IFRS 17 on the Fund's financial statements is due to the new discount rate applied to the LRC. Under IFRS 17, the Fund is required to apply a discount rate to reflect the characteristics of the insurance cashflows, including cashflows within the LRC and LIC. In determination of the discount rate the Fund has elected to utilize a bottom-up approach to build the discount rate curve as the sum of the risk-free rate and an illiquidity premium (ILP). This approach differs from IFRS 4 whereby the discount rate was calculated based on the investment returns of the assets supporting the liabilities, including, unlike for IFRS 17, making assumptions for yields on future asset sales and purchases.

6. CHANGES IN MATERIAL ACCOUNTING POLICIES (Cont'd)

IFRS 17 Discount Rate (Cont'd)

The Fund has elected to use the CIA reference curve.

Estimates of Future Cash Flows

Included in the measurement of each group of contracts within the scope of IFRS 17 are all of the future cash flows within the boundary of each group of contracts. The estimates of these future cash flows are based on probability-weighted expected future cash flows. The Fund estimates which cash flows are expected and the probability that they will occur as at the measurement date. In making these expectations, the Fund uses information about past events, current conditions and forecasts of future conditions. The Fund's estimate of future cash flows is the mean of a range of scenarios that reflect the full range of possible outcomes. Each scenario specifies the amount, timing and probability of cash flows. The probability-weighted average of the future cash flows is calculated using a deterministic scenario representing the probability-weighted mean of a range of scenarios.

The estimated timing of the remaining contractual undiscounted cash flows is presented below:

	2023	2022
Number of years until expected Insurance Contract Cashflows		
1	**$ 3,042,204**	$ 2,938,451
2	**2,416,611**	2,282,825
3	**2,617,753**	2,471,890
4	**2,817,172**	2,664,290
5	**2,999,495**	2,863,490
6 to 10 years	**17,511,360**	16,934,749
Greater than 10 years	**161,172,170**	162,744,226
	$192,576,765	$192,899,921

Mortality Assumptions

The Appointed Actuary performs an annual mortality study. The limited exposure does not justify using the Fund's experience directly. Mortality rates are credibility blended with industry mortality experience. Recent experience has been within assumed levels.

Resignation and Retirement

Resignation from service rates are derived from actual experience obtained in prior years. For retirement the probability of a member retiring at each attained age is derived from actual experience in prior years. The incidence of retirement has varied recently based principally on external factors. Disability is addressed within the retirement assumption, The Fund can withstand such year to year variations and differing incidences of retirement may impact cash flow.

6. CHANGES IN MATERIAL ACCOUNTING POLICIES (Cont'd)

Future Expenses

The Fund projects estimates of future expenses relating to fulfillment of insurance contracts within the scope of IFRS 17 using current expense levels adjusted for inflation. Expenses comprise expenses directly attributable to the groups of insurance contracts, including an allocation of fixed and variable overheads.

The Fund has not changed its methods or assumptions used to project expenses in 2023. Possible increases in expense assumptions increase estimates of future cash outflows and thus decrease the CSM within the LRC for contracts measured under the GMM.

Risk Adjustment Non-Financial Risk

The risk adjustment for non-financial risk is the compensation that is required for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risk as the insurance contract is fulfilled. Because the risk adjustment represents compensation for uncertainty, estimates are made on the degree of diversification benefits and expected favourable and unfavourable outcomes in a way that reflects the Fund’s degree of risk aversion. The Fund estimates an adjustment for non-financial risk separately from all other estimates.

The risk adjustments for non-financial risk are determined using the margin technique, with comparison to the cost of capital technique. The confidence level of the resulting risk adjustment is then determined. If the resulting confidence level is within the target range, no further adjustments are made. If the resulting confidence level is outside the target range, then the margin approach is adjusted such that the risk adjustment confidence level post adjustment is within the target range. The target range of the confidence level of the risk adjustment is between 85.0% and 95.0%.

The risk adjustments for non-financial risk for insurance contracts correspond to the confidence levels of 90.2% (2022 - 89.4%).

7. RISK AND CAPITAL MANAGEMENT

Insurance contracts offered by the Fund exposes the Fund to insurance pricing, underwriting risk, financial and operational risks. Moreover, financial risks include market risk, credit risk and liquidity risk. Presented below is information about the Fund’s risk management framework, risk exposure and its objectives, policies and processes for measuring and managing risks and its capital management framework.

Risk Management Framework

Management has developed policies and procedures to enable it to respond to various business risks of the Fund. The Risk Committee reviews the Fund's overall risk management policies and recommends approval of these policies to the Board. The Audit Committee reviews overall internal controls and recommends approval of the financial statements to the Board.

7. RISK AND CAPITAL MANAGEMENT (Cont'd)

Insurance Pricing Risk

Insurance pricing risk is the risk that actual experience will not develop as estimated in the initial pricing of the insurance. Management of pricing the membership dues involves prudent review of new benefits, benefit changes, benefit design, claims and regular monitoring of experience results. All benefits and prices are subject to annual review and price adjustment. Pricing is based on assumptions which are based on trends and past experience.

The process of determining insurance contract liabilities necessarily involves the risk that the actual results will deviate from the best estimates made. The risk will vary in proportion to the length of the estimation period and the potential volatility of each component comprising the liabilities. To recognize uncertainty in establishing these best estimates and to allow for possible deterioration in experience, actuaries are required to include a margin in each assumption. Please refer to the actuarial assumptions section of the notes for further details.

Regulatory capital is also managed (though not exclusively) by reference to the insurance risk to which the Fund is exposed.

The premiums received that relate to the life and endowment products cannot be separated and therefore the concentration of insurance risk is centered on subscribing members.

Underwriting Risk

Underwriting risk comprises of insurance risk, policyholder behavior risk and expense risk.

The Fund accepts insurance risk through its insurance contract where it assumes the risk of loss from persons that are directly subject to the underlying loss. The Fund is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts. The Fund manages its risk via its underwriting and reinsurance strategy within an overall risk management framework. Reinsurance is purchased to mitigate the effect of catastrophic events to the Fund. Reinsurance policies are written with a registered reinsurer and approved by the Board.

Persons insured by the Fund include Active and Retired members, which upon retiring are no longer charged membership dues. The table below summarizes the split of persons insured by the Fund.

	2023		2022	
	Number of Insureds	**Dues**	Number of Insureds	Dues
Active	**5,421**	**$ 1,914,142**	5,394	$ 1,839,034
Retired	**4,973**	**$ -**	4,961	$ -

7. RISK AND CAPITAL MANAGEMENT (Cont'd)

Underwriting Risk (Cont'd)

The table below analyzes how the CSM, profit or loss and surplus would have increased (decreased) if changes in underwriting risk variables that were reasonably possible at the reporting date had occurred.

2023	**CSM**	**Profit or Loss**	**Surplus**
Mortality +10%	**$ (2,134,281)**	**$ (108,430)**	**$ (79,696)**
Resignation rates -10%	**(108,194)**	**(5,497)**	**(4,040)**
Retirement rates +10%	**(176,566)**	**(8,970)**	**(6,593)**
Expenses +10%	**(644,798)**	**(32,758)**	**(24,077)**

2022	CSM	Profit or Loss	Surplus
Mortality +10%	$ (2,086,308)	$ (105,993)	$ (77,905)
Resignation rates -10%	(95,182)	(4,836)	(3,554)
Retirement rates +10%	(181,547)	(9,223)	(6,779)
Expenses +10%	(623,158)	(31,659)	(23,269)

Other Financial Assets and Liabilities

The Fund's financial assets and liabilities not relating to insurance operations comprise mainly cash and cash equivalents, investment assets and trade payables. The Fund is exposed to interest rate, equity, credit and liquidity risks from these financial assets and liabilities.

The following tables present the estimated amount and timing of the remaining contractual cash flows arising from financial assets, lease liabilities and financial liabilities that do not relate to insurance operations. When invested assets mature, the proceeds not needed to meet liability cash flows will be reinvested.

December 31, 2023	**1 year or less**	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**More than 5 years**	**Total**
Cash and cash equivalents	**$ 584,887**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 584,887**
Investments	**-**	**-**	**-**	**-**	**-**	**96,770,737**	**96,770,737**
Accounts payable and accrued charges	**299,644**	**-**	**-**	**-**	**-**	**-**	**299,644**
Lease liability	**12,655**	**13,435**	**14,833**	**-**	**-**	**-**	**40,923**

December 31, 2022	1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
Cash and cash equivalents	$ 534,152	$ -	$ -	$ -	$ -	$ -	$ 534,152
Investments	-	-	-	-	-	90,517,898	90,517,898
Accounts payable and accrued charges	179,883	-	-	-	-	-	179,883
Lease liability	11,525	12,655	13,435	14,833	-	-	52,448

7. RISK AND CAPITAL MANAGEMENT (Cont'd)

Market Risk

Market risk is the risk that changes in market prices will affect the fulfillment cash flows of insurance and reinsurance contracts as well as the fair value or future cash flows of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing the return on risk.

Market risk principally arises from the Fund's investments and interest-bearing financial assets. The Fund's objective of managing market risk is to reduce market risk where possible in balance with ensuring sufficient return on financial investments. The Fund has established investment policies and goals that reflect its obligations, and as such, has directed its professional external investment managers to invest primarily in fixed income pooled funds which hold high equity, long-term fixed income assets (government and corporate bonds and debentures) combined with a limited proportion of equity pooled funds. The Fund has also directed its professional external investment mangers to invest in money market funds and guaranteed investment certificates in order to align with the requirements under IFRS 17.

(a) Interest rate sensitivity

Interest rate risk is the risk of economic losses or gains arising from the disinvestment or reinvestment of cash flows. The Fund's exposure to changes in interest rates is concentrated in its portfolio investments and insurance contract liabilities. Changes in investment values attributable to interest rate changes are mitigated by corresponding and partially offsetting changes in the economic value of the insurance contract liabilities. The Fund monitors this exposure through periodic reviews of the portfolio investments.

The fund is largely still invested in fixed income pooled funds, but also introduced guaranteed investment certificates to support the IFRS 17 contractual service margin liability.

For death and endowment benefits, where the timing and amount of the benefit obligations can only be estimated, the assets are maintained with duration approximately equal to that of the liabilities.

The value of FVTPL bonds and debentures (the underlying assets in the fixed income pooled funds) are affected by changes in interest rates. The following table presents analysis of how a parallel increase or decrease of 100 bps in interest rates may impact the balances of contracts within the scope of IFRS 17 and IFRS 9, as well as the net impact on net income and surplus.

	2023 Increase (Decrease)		
Scenario	**Insurance Contract Liabilities**	**Profit or Loss**	**Surplus**
Interest rates +100 bps	**$ (10,111,687)**	**$ 10,111,687**	**$ 7,432,090**
Interest rates +100 bps	**13,184,105**	**(13,184,105)**	**9,690,317**

7. RISK AND CAPITAL MANAGEMENT (Cont'd)

Market Risk (Cont'd)

(a) Interest rate sensitivity (Cont'd)

	2022 Increase (Decrease)		
Scenario	Insurance Contract Liabilities	Profit or Loss	Surplus
Interest rates +100 bps	$ (9,320,095)	$ 9,320,095	$ 6,850,270
Interest rates +100 bps	12,153,929	(12,153,929)	(8,933,138)

(b) Equity price risk sensitivity

The Fund invests in equity pooled funds, which in turn generally invest in listed equity investments. While the underlying investments in the equity pooled funds are susceptible to equity price risk, the risk to the Fund is indirect in nature. Such investments are designated as FVTPL investments and do not support the insurance contract liabilities. If the unit price of the Fund's equity pooled funds were to increase or decrease by 10%, with all other variables being held constant, the impact on the Fund Balance would be approximately $497,000 (2022 - $244,800). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

Credit Risk

Credit risk is the risk of financial losses resulting from the non-payment of receivables or investments. Management of this risk is performed by regular monitoring of its receivables and investment credit quality. The Fund's Investment Policy requires all fixed income investments, including the underlying fixed income investments held within the fixed income pooled funds, to be rated "BBB" or higher at time of purchase and not more than 20% of those investments may be in "BBB" or lower rate securities.

The Fund has not made explicit provision in its Statement of Financial Position for credit losses on any assets which are used to support the policy liabilities.

Maximum Exposure to Credit Risk

The Fund's maximum credit exposure related to financial instruments is summarized in the following tables. Maximum credit exposure is the carrying value of the asset net of any allowance for losses.

	2023	2022
Cash and cash equivalents	**$ 584,887**	$ 534,152
Reinsurance contract	**11,862**	-
	$ 596,749	$ 534,152

7. RISK AND CAPITAL MANAGEMENT (Cont'd)

Credit Risk (Cont'd)

Concentration of Credit Risk

Concentration of credit risk arises from exposure to a single debtor, a group of related debtors or groups of debtors that have similar credit risk characteristics, such as groups of debtors in the same economic or geographic regions or in similar industries. The financial instrument issuers have similar economic characteristics so that their ability to meet contractual obligations may be impacted similarly by changes in the economic or political conditions. The Fund mitigates this risk through setting exposure limits and diversification requirements via its Investment Policy.

Management considers credit quality per instrument type as an indication of the relative concentration of credit risk. The Fund is also exposed to credit risk from bonds held within the pooled funds. The maximum exposure to this credit risk is set out in the table below:

	2023	2022
FVTPL fixed income pooled funds		
AAA	$ 3,978,939	$ 3,247,421
AA	21,199,159	16,566,505
A	30,986,719	29,609,784
BBB	22,209,923	20,236,029
BB	5,018,368	2,598,198
Cash	407,944	7,811,698
	$ 83,801,052	$ 80,069,635

Liquidity Risk

Liquidity risk is the possibility that the Fund will not be able to fund all cash outflow requirements as they become due. Such funding requirements include not meeting its financial obligations as set out by the Fund and/or OSFI. Management regularly reviews various cash flow requirements to ensure that sufficient funds are available to satisfy funding requirements.

It is expected that the Fund will be able to meet all of its contractual requirements as its liabilities fall due, including, if necessary, by selling its fixed income pooled funds prior to their maturity. All of the Fund's financial liabilities, other than insurance contract liabilities, are due within one year.

Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Fund’s operations, processes, personnel, technology and infrastructure, regulatory compliance and from external factors other than market, credit and liquidity risks.

The Fund’s Risk Committee oversees Management’s stewardship of operational risk including compliance with applicable legal and regulatory requirements.

7. RISK AND CAPITAL MANAGEMENT (Cont'd)

Capital Management

The Management of the Fund is responsible for establishing capital management procedures for implementing and monitoring the capital plan. The Board reviews and approves all capital transactions undertaken by Management.

The Fund's capital base consists of the Fund balance of $18,300,780 (2022 - $16,936,699) and is structured to meet and exceed the Fund's regulatory capital requirements. OSFI has established a capital adequacy requirement for fraternal societies such as the Fund known as Life Insurance Capital Adequacy Test ("LICAT").

For Canadian regulatory reporting purposes, capital is defined by OSFI in its LICAT guideline. The Fund's LICAT ratio as at December 31, 2023 of 255.3% (2022 - 300.7%) met the minimum levels that would require any regulatory or corrective action by OSFI.

8. INSURANCE REVENUE AND INSURANCE SERVICE RESULT

The following schedule presents the insurance revenue and insurance service results for the Fund

	2023	2022
Insurance Revenue		
CSM recognized for services provided	**$ 402,542**	$ 376,914
Change in risk adjustment for non-financial risk for risk expired	**160,601**	159,424
Expected insurance service expenses incurred:		
Claims	**3,069,293**	2,962,408
Expenses	**654,138**	663,889
Total Insurance Revenue	**4,286,574**	4,162,635
Insurance Service Expenses		
Incurred insurance service expenses:		
Claims	**(3,060,378)**	(3,115,100)
Expenses	**(857,346)**	(686,683)
Experience adjustments in claims and other insurance service expenses in LIC	**164,880**	120,000
Total Insurance Service Expenses	**$(3,752,844)**	$(3,681,783)

	2023	2022
Net Expenses from Reinsurance Contracts		
Allocation of the premiums paid	**$ (10,873)**	$ (11,862)
Amounts recovered from reinsurance:		
Incurred insurance service expenses	**5,931**	11,862
Changes that relate to future service	**(5,931)**	(11,862)
Total Net Expenses from Reinsurance Contracts	**(10,873)**	(11,862)
Total Insurance Service Result	**$ 522,857**	$ 468,990

8. INSURANCE REVENUE AND INSURANCE SERVICE RESULT (Cont'd)

The following table sets out the expected recognition of the contractual service margin for insurance contracts.

	2023	2022
Number of years until expected CSM recognition		
1	**$ 415,973**	$ 429,700
2	**400,171**	413,377
3	**384,726**	397,422
4	**369,654**	381,852
5	**354,907**	366,619
6 to 10 years	**1,562,343**	1,613,901
Greater than 10 years	**4,699,999**	4,855,100
	$ 8,187,773	$ 8,457,971

9. FINANCE INCOME FROM INSURANCE CONTRACTS

The following schedule presents the net finance income from insurance contracts.

	2023	2022
Insurance Finance Income (Expense) from Insurance Contracts		
The effect of time value of money and changes in the time value of money, based on the locked-in interest rates:		
Interest accreted on the carrying amount of the CSM	**$ (194,809)**	$ (177,495)
Interest accreted on present value cash flows	**(1,796,885)**	(1,655,908)
Interest accreted on risk adjustment	**(83,203)**	(78,886)
The effect of financial risk and changes in financial risk	**(5,391,517)**	19,983,126
Total Insurance Finance Income from Insurance Contracts	**$(7,466,414)**	$18,070,837

10. INSURANCE CONTRACT LIABILITIES

The Fund provides benefits to members in accordance with its By-laws and as determined by the Board of Directors. The following sets forth December 31, 2023 benefit levels:

(a) The regular amount of insurance for active members is $50,000 (2022 - $50,000); the insurance amount doubles for "in line of duty" deaths.

(b) The regular amount of insurance for retired members is $18,800 (2022 - $18,800).

(c) The regular amount of insurance for active members of $50,000 decreases to $18,800 upon retirement for 2023 (2022 - $18,800).

(d) The endowment benefit is $3,150 (2022 - $3,150).

(e) The discretionary bonus amount is 20.0% (2022 - 20.0%) for deaths.

10. INSURANCE CONTRACT LIABILITIES (Cont'd)

Furthermore, under the Bylaws of the Fund, an actuarial valuation of insurance contract liabilities must be performed annually by the Appointed Actuary. The most recent actuarial valuation of the Fund was made as of December 31, 2023 by Clayton Zaluski, Fellow, Canadian Institute of Actuaries, who submitted their report dated February 28, 2024.

Insurance contract liabilities are comprised of the following:

- Best Estimate Liability (BEL) which represents the present value of best estimate cashflows to fulfill the contract as it relates to the LRC and LIC.
- Contract Service Margin (CSM) which represents the present value of unearned profit that a group of insurance contracts will recognize at is provides services under those contracts
- Risk Adjustment (RA) which compensates the Fund for the risk relating to the uncertainty about the amount and timing of the cash flows that arises from non-financial risks. The risk adjustment is applicable to the LRC and the LIC).

The following schedule presents a reconciliation of insurance contract liabilities:

	2023	2022
BEL Roll Forward		
Opening Best Estimate Liability (BEL)	**$ 61,345,642**	$ 81,587,537
New business	**(431,209)**	(380,275)
Experience adjustment	**561,789**	217,173
Interest accretion	**1,796,885**	1,655,908
Changes in discount rates	**5,190,099**	(19,344,566)
Actual cash flows:		
Premiums received	**1,820,647**	1,770,697
Claims and insurance expenses	**(4,147,067)**	(4,160,830)
Dues receivable	**(283)**	553
Ending Best Estimate Liability (BEL)	**$ 66,136,503**	$ 61,346,197

	2023	2022
CSM Roll Forward		
Opening Contract Service Margin (CSM)	**$ 8,457,971**	$ 8,380,000
New business	**344,491**	273,486
Variance actual vs expected	**116,791**	(124,892)
Experience adjustment	**(523,747)**	128,795
Interest accretion	**194,809**	177,496
CSM recognized	**(402,542)**	(376,914)
Ending Contract Service Margin (CSM)	**$ 8,187,773**	$ 8,457,971

10. INSURANCE CONTRACT LIABILITIES (Cont'd)

	2023	2022
RA Roll Forward		
Opening Risk Adjustment (RA)	**2,975,071**	3,752,971
New business	**86,718**	106,789
Experience adjustment	**(137,227)**	(177,591)
Risk adjustment released	**(148,601)**	(147,424)
Interest accretion	**83,203**	78,886
Changes in discount rates	**201,418**	(638,560)
Ending Risk Adjustment (RA)	**3,060,582**	2,975,071
Total Insurance Contract Liabilities	**77,384,858**	72,779,239

For insurance contracts measured under GMM, an analysis of insurance revenue for insurance contracts issued and the CSM by transition method is included in the following table.

	2023			2022		
	Insurance Contracts Measured Under the Fair value Approach at Transition	**New Insurance Contracts and Insurance Contracts Measured under the Full Retrospective Approach at Transition**	**Total**	Insurance Contracts Measured Under the Fair value Approach at Transition	New Insurance Contracts and Insurance Contracts Measured under the Full Retrospective Approach at Transition	Total
Insurance revenue	**$ 4,227,099**	**$ 59,475**	**$ 4,286,574**	**$ 4,144,714**	**$ 17,922**	**$ 4,162,636**
CSM as at January 1	**$ 8,161,521**	**$ 296,450**	**$ 8,457,971**	**$ 8,380,000**	**$ -**	**$ 8,380,000**
Changes in the statement of profit or loss and OCI						
Contractual service margin recognized for service provided	**(386,636)**	**(15,905)**	**(402,542)**	**(372,751)**	**(4,162)**	**(376,913)**
Contracts initially	**-**	**344,491**	**344,491**	**-**	**273,486**	**273,486**
Changes in estimates the adjust the CSM	**(386,450)**	**(20,506)**	**(406,956)**	**(18,910)**	**22,813**	**3,903**
Net finance (income) expenses from insurance contracts	**181,480**	**13,329**	**194,809**	**173,182**	**4,314**	**177,496**
CSM as at January 1	**$ 7,569,915**	**$ 617,859**	**$ 8,187,773**	**$ 8,161,521**	**$ 296,450**	**$ 8,457,971**

11. INVESTMENTS

	2023 Fair Value	%	2022 Fair Value	%
Financial assets at fair value through profit or loss				
Guaranteed Income Certificates	$ 8,000,000	8 %	$ 8,000,024	9 %
Fixed income pooled funds				
PH&N Long Corporate Bond Trust	50,589,472	52 %	47,424,555	52 %
PH&N PRisM - Long	14,745,106	15 %	12,473,052	14 %
PH&N PRisM - Medium	3,672,760	4 %	3,190,273	3 %
PH&N PRisM - Short	3,520,824	4 %	3,303,455	4 %
PH&N Money Market Funds	-	0 %	7,811,697	9 %
PH&N Bond	6,476,381	7 %	3,342,782	4 %
PH&N Mortgage Pension	4,796,509	5 %	2,523,821	3 %
PH&N Dividend Income Fund	4,969,685	5 %	2,448,239	2 %
	$ 96,770,737	100 %	$ 90,517,898	100 %

Fair Value Hierarchy

The following table outlines the financial instruments measured at fair value based on the following three-level fair value hierarchy:

Level 1: Fair value is based on unadjusted quoted prices for identical assets or liabilities in an active market.

Level 2: Fair value is based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Fair value is determined in whole or in part using a valuation technique using inputs for the asset or liability that are not based on observable market data.

	2023 Level 1	2023 Level 2	2023 Level 3	2022 Level 1	2022 Level 2	2022 Level 3
Financial assets at fair value through profit or loss	$ -	$ 96,770,737	$ -	$ -	$ 90,517,898	$ -

Transfers between levels are considered to have occurred at the date of the event or change in circumstances that caused their transfer. There are no transfers between Level 1 and Level 2 for the years ended December 31, 2023 and 2022. No Level 3 investments exist as at December 31, 2023 and 2022.

12. INTANGIBLE ASSET

The following is a schedule of software development costs:

	2023	2022
Balance at January 1	**$ 232,242**	$ -
Additions	**129,925**	232,242
Amortization	**(28,616)**	-
Balance December 31	**$ 333,551**	$ 232,242

13. RIGHT OF USE ASSET AND LEASE OBLIGATION

The following table presents the resulting right of use asset and the associated lease obligation:

	2023		2022	
	Right of Use Asset	**Lease Liability**	Right of Use Asset	Lease Liability
Balance at January 1	**$ 43,421**	**$ 52,448**	$ 54,276	$ 62,921
Amortization	**(10,855)**	**-**	(10,855)	-
Interest	**-**	**2,839**	-	3,490
Lease repayments	**-**	**(14,364)**	-	(13,963)
Balance at December 31	**$ 32,566**	**$ 40,923**	$ 43,421	$ 52,448

14. GAIN (LOSS) FROM INVESTMENTS

	2023	2022
Net gains (losses) on FVTPL investments		
Income distributions from investee funds	**$ 1,285,954**	$ 2,032,025
Capital gain distributions from investee funds	**231,082**	2,193,682
Realized gains (losses) on investments	**(2,838,344)**	(19,992,543)
Change in unrealized gains (losses) on investments	**11,574,950**	(14,577,118)
	10,253,642	(30,343,954)
Interest income from fixed-income investments	**3,171**	22,069
Interest income from money market funds	**19,309**	110,924
Interest income accrued on GIC investments	**376,290**	107,752
	398,770	240,745
	$ 10,652,412	$ (30,103,209)

15. ACCRUED INVESTMENT INCOME AND PREPAID EXPENSES

	2023	2022
Accrued investment income	**$ 420,251**	$ 107,776
Prepaid expenses	**66,457**	98,235
	$ 486,708	$ 206,011

16. EMPLOYEE BENEFITS

Employee payroll expense for the year was $461,266 (2022 - $405,242) and is included in administration expenses in the Statement of Income.

17. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	2023	2022
Trade accounts payable and accrued charges due within one year	**$ 299,644**	$ 179,883

18. REMUNERATION

Remuneration of key management personnel for the year was $204,559 (2022 - $198,833). Remuneration of the Board of Directors, which includes retainer fees and meeting attendance fees, for the year was $126,294 (2022 - $144,188).

19. INCOME AND OTHER TAXES

The Fund is subject to income taxes under Part I and Part XII.3 of the Federal Income Tax Act and under the Ontario Corporations Tax Act. A provision for investment income tax of $150,790 (2022 - $191,086) is required under Part XII.3. This tax is 15% of the taxable Canadian life investment income of a life insurer which is determined by a formula prescribed in the Income Tax Act.

19. INCOME AND OTHER TAXES (Cont'd)

The following table reconciles the difference between income taxes that would result solely by applying statutory rates to pre-tax income and the income taxes actually provided in the financial statements:

	2023	2022
Income (loss) **before income taxes**	**$ 2,803,412**	$ (12,415,950)
Statutory rate	**26.5 %**	26.5 %
Expected income tax expense	**$ 742,904**	$ (3,290,227)
Increase (decrease) resulting from:		
Net non-taxable income	**(36,324)**	(33,324)
IFRS 17 transition adjustments	**-**	3,115,865
True-up	**(264,188)**	-
Other	**-**	22,054
Income tax expense (benefit)	**$ 442,392**	$ (185,632)

The current and deferred tax (assets) liabilities are comprised of the following components:

	2023	2022
Income taxes (payable) recoverable	**$ (1,116,459)**	$ 152,925
Deferred tax assets (liability):		
Maximum Tax Actuarial Reserves (MTAR)	**$ (18,554,279)**	$ (17,269,125)
Book reserves	**20,507,063**	19,286,351
MTAR transitional amount	**(2,952,381)**	(3,690,476)
Investments and other	**(25,157)**	875
Actuarial liabilities for insurance contracts	**(60,568)**	(89,531)
Lease liability	**2,215**	2,392
	$ (1,083,107)	$ (1,759,514)

The Fund is subject to numerous taxes in the period, the most significant of which are reflected below:

	2023	2022
Current income taxes	**$ 1,118,855**	$ (152,925)
Deferred income taxes	**(676,463)**	(32,707)
	$ 442,392	$ (185,632)

20. FUND BALANCE

In 2022 the Fund recorded investment income of $996,939, based on reported amounts provided by the Fund's Investment Manager and Custodian. During 2023 it was noted that this was in fact a return of capital, previously incorrectly reported. A correcting journal entry was posted in 2023 to adjust the value of the Fund's investment cost-base and retained earning accordingly.

21. COMPARATIVE FIGURES

Certain comparative figures have been reclassified in order to conform with current year presentation.

AFFIDAVIT VERIFYING ANNUAL RETURN

WE, Charles Hamilton, of the City of Ottawa, in the Province of Ontario, and Sylvi Karr, of the City of Toronto, in the Province of Ontario, being Board Chair and President & CEO respectively of TORONTO POLICE WIDOWS AND ORPHANS FUND, (hereinafter called the "Insurer/Society")

DO SEVERALLY MAKE OATH AND SAY AS FOLLOWS:

1. That we are the above - described officers of the Insurer/Society.

2. That the attached Annual Return of the condition and affairs of the Insurer/Society, together with the related exhibits, schedules and explanations filed or to be filed as part thereof, is a full and correct statement of all of the assets and liabilities as of 31/12/2023 and the income and expenditures for the year ended on that day, as respects the business of the Insurer/Society.

3. That all the assets reported in the said Annual Return and schedules were, as of 31/12/2023, the absolute property of the Insurer/Society, free and clear from any liens and claims except as therein stated.

4. That the Insurer/Society is in compliance with all financial reporting requirements applicable under its governing insurance legislation in Canada (i.e. federal, provincial or territorial, as the case may be) and under any regulations made pursuant to it.

SEVERALLY SWORN remotely by Ryan Michael Prendergast, of the Town of Orangeville, in the County of Dufferin, before me at the City of Toronto, in the Province of Ontario, on the 28th day of February, 2024 in accordance with O.Reg. 431/20, Administering Oath or Declaration Remotely.	) C. Hamilton) Charles Hamilton) S. Karr) Sylvi Karr)

Ryan Prendergast

Commissioner for Taking Affidavits/Notary Public

RYAN MICHAEL PRENDERGAST
Barrister, Solicitor, Commissioner of Oaths, & Notary Public for the Province of Ontario