Judges of the Provincial Court Superannuation Plan




Annual Report for 2015-2016

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Government of Saskatchewan

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Letters of Transmittal

Her Honour, the Honourable Vaughn Solomon Schofield,
Lieutenant Governor of Saskatchewan

May it Please Your Honour:

I respectfully submit the thirty-seventh Annual Report of the Judges of the Provincial Court Superannuation Plan for the fiscal year ending March 31, 2016.

Kevin Doherty
Minister of Finance

The Honourable Kevin Doherty
Minister of Finance

Sir:

On behalf of the Public Employees Benefits Agency, I have the honour to transmit herewith the Annual Report of the Judges of the Provincial Court Superannuation Plan for the year ending March 31, 2016.

Dave Wild
Associate Deputy Minister
Public Employees Benefits Agency
Ministry of Finance

Judges of the Provincial Court Superannuation Plan

Introduction

The Judges of the Provincial Court Superannuation Plan (Plan) was established under *The Provincial Court Act* (continued as *The Provincial Court Act, 1998*) to provide pension benefits to judges in the event of retirement and secondarily in the event of termination of employment. Previously, pensions had been provided to qualifying judges through *The Magistrates' Courts Act*. Judges appointed at the time the Plan was established had the option of retaining the benefits provided under *The Magistrates' Courts Act*, or opting to contribute to the Plan and earn a pension under *The Provincial Court Act*. For those judges who transferred, service under *The Magistrates' Courts Act* is included as service in the calculation of pensions under *The Provincial Court Act, 1998*. The Plan also provides benefits to the dependents of deceased judges and superannuates in the event of death either prior, or subsequent to retirement.

Operation of the Plan

The Plan is a defined benefit pension plan, which provides a benefit based on a judge's highest earnings during specified periods taking into consideration their total years of service to a maximum of 23 1/3 years. Judges contribute five per cent of their salary to the Plan.

Any deficiencies in the Plan are paid out of the General Revenue Fund (GRF) and are the responsibility of the Government of Saskatchewan.

The table below shows the number of active and retired judges in the Plan as of the current and prior year-ends.

	March 31,2016	**March 31,2015**
Active Judges	50	51
Inactive Members	4	2
Retired Judges *	62	61
Totals	**116**	**114**
***Includes Superannuates, plus their dependents that are now in receipt of a survivor pension.**		

Benefit Payments

During the Plan year, benefit payments are made in accordance with the Plan rules due to retirement of judges, termination of employment and death benefits – either due to death of a judge or a superannuate.

Contributions to the Plan

In accordance with the contribution schedules outlined above, judges' contributions to the Plan during the year totaled $642,197. This compares to $611,251 as of the previous fiscal year end. As at March 31, 2016, 47 judges (2015 – 46 judges) were contributing to the Plan.

Investment Performance

The Minister of Finance is responsible for holding in trust and investing the monies in the Plan. The Minister has retained the services of TD Asset Management Inc. to be the investment manager.

The investment manager makes the day-to-day decision of whether to buy or sell specific investments in order to achieve the long-term investment performances, as set out in the Investment Policy Statement for the Plan. It is against these long-term investment performances that the performance of the investment manager is assessed.

The Plan's long-term investment performance objective is to outperform a benchmark portfolio constructed as follows:

Asset Class	Market Index	Weight
Canadian	S&P/TSX Capped Composite Index	22%
US	S&P 500 Index (Can. $)	14%
Non-North American	MSCI EAFE Index (Can $)	14%
Fixed Income Bonds	FTSE/TMX Universe Bond Index	45%
Short-Term Investments	91 Day Canadian Treasury Bill	5%
Total		**100%**

The objective of the Plan is to achieve a return that is equal to or greater than the return achieved from this benchmark portfolio over a rolling four-year period. The performance history of the Plan as of March 31, 2016, has been:

	1-Year Return	Rolling 4-Year Average
Fund's Return	-1.3%	7.49%
Benchmark Return	-1.5%	7.40%

Cash Flow Forecast

The total cash inflow is the amount of contributions expected to be received by the pension plan. The total cash outflows are the amounts that are required to pay all pension obligations. The net cash outflows do not consider future investment income and the redemption of investments. Forecast of cash flows have been determined using the following long-term assumptions:

Factor	**Current Year Assumptions**	**Prior Year Assumptions**
Salary Escalation	3.25%	3.50%
Inflation Rate	2.25%	2.50%
Discount Rate	3.50%	3.00%
Return on Assets	5.10%	5.25%
Mortality Table	2014 CPM Public Table with general projection and pension size adjustments	2014 CPM Public Table with general projection and pension size adjustments
Indexing Post April 1, 2003	75% CPI	75% CPI
Indexing Pre April 1, 2003	70% CPI	70% CPI

The actuarial valuations prepared by Aon Hewitt, also take into consideration mortality under the Plan, which is reflected in the Net Cash Flow Forecasts.

Year	**Net Cash Outflows** (in thousands)
2016-2017	$6,134
2017-2018	$6,905
2018-2019	$7,725
2019-2020	$8,471
2020-2021	$9,252
Total next 5 Years	$38,847
Total 5-10 Years	$95,240
Total 11-30 Years	$368,445

Administration

The Public Employees Benefits Agency (PEBA) has responsibility for the operation, administration and management of several superannuation plans and other employee benefits programs. Administration of the Judges of the Provincial Court Superannuation Plan is carried out by PEBA.

Management's Report

To the Members of the Legislative Assembly of Saskatchewan

Administration of the Plan is presently assigned to the Public Employees Benefits Agency of the Ministry of Finance. Management is responsible for financial administration, administration of the funds and managing of assets.

The financial statements, which follow have been prepared by management in conformity with Canadian accounting standards for pension plans. Management uses internal controls and exercises its best judgement in order that the financial statements reflect fairly the financial position of the Plan.

The present value of pension obligations is determined by an actuarial valuation. Actuarial valuation reports require best estimate assumptions about future events which require approval by management.

The financial statements have been audited by the Provincial Auditor whose report follows.

Dave Wild
Associate Deputy Minister
Public Employees Benefits Agency
Ministry of Finance

Regina, Saskatchewan
July 7, 2016

Actuarial Opinion

With respect to the Judges of the Provincial Court Superannuation Plan, I have prepared an actuarial valuation as at March 31, 2016, for the purpose of determining the necessary actuarial information for financial statement reporting in accordance with PS 3250 and Section 4600 of the CPA Canada Handbook. In my opinion, for the purpose of this actuarial valuation:

- the membership data on which this valuation is based are sufficient and reliable;
- the assumptions are appropriate; and
- the calculations have been made in accordance with my understanding of the requirements of PS 3250 and Section 4600 of the Chartered Professional Accountants Canada Handbook.

This report has been prepared and this actuarial opinion has been given in accordance with accepted actuarial practice.

Nonetheless, emerging experience differing from the assumptions will result in gains or losses which will be revealed in subsequent valuations.

David R. Larsen, FSA, FCIA
Aon Hewitt

April 27, 2016

Judges of the Provincial Court Superannuation Plan

Financial Statements

Year Ended March 31, 2016

PROVINCIAL AUDITOR
of Saskatchewan

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Judges of the Provincial Court Superannuation Plan (Plan) which comprise the statement of financial position as at March 31, 2016, and the statements of changes in net assets available for benefits, and changes in pension obligations for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans for Treasury Board's approval, 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Plan as at March 31, 2016, and the changes in its net assets available for benefits and changes in its pension obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

Judy Ferguson

Regina, Saskatchewan
July 7, 2016

Judy Ferguson, FCPA, FCA
Provincial Auditor

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Judges of the Provincial Court Superannuation Plan **Statement 1**
Statement of Financial Position

As At March 31

	(in thousands) 2016	2015
Assets		
Due from GRF (Note 7)	$ 414	$ 218
Investments		
Pooled Funds (Note 4)	29,168	30,050
	29,582	30,268
Receivables		
Other	9	18
Total Assets	29,591	30,286
Liabilities		
Accounts Payable	29	24
Total Liabilities	29	24
Net Assets Available for Benefits (Statement 2)	29,562	30,262
Pension Obligations (Statement 3, Note 6)	207,429	220,294
Deficit	$177,867	$190,032

(See accompanying notes to the financial statements)

Judges of the Provincial Court Superannuation Plan **Statement 2**

Statement of Changes in Net Assets Available for Benefits

Year Ended March 31

	2016	2015
	(in thousands)	
Increase in Assets		
Investment Income		
Interest	$ 2	$ 2
Distributions-Pooled Funds (Note 4)	890	898
	892	900
Increase in Market Value (Note 4)	-	2,326
Contributions by Judges	642	611
Deficiency Recoveries from GRF (Note 5)	5,929	5,661
Total Increase in Assets	7,463	9,498
Decrease in Assets		
Administration Expenses (Note 12)	88	89
Decrease in Market Value (Note 4)	1,281	-
Refunds and Transfers (Note 13)	480	-
Superannuation Allowances		
Magistrates' Courts Act	260	230
Provincial Court Act	6,054	5,861
Total Decrease in Assets	8,163	6,180
(Decrease) Increase in Net Assets	(700)	3,318
Net Assets Available for Benefits, Beginning of Year	30,262	26,944
Net Assets Available for Benefits, End of Year (Statement 1)	$ 29,562	$ 30,262

(See accompanying notes to the financial statements)

Judges of the Provincial Court Superannuation Plan — Statement 3
Statement of Changes in Pension Obligations

Year Ended March 31

	(in thousands) 2016	2015
Pension Obligations, Beginning of Year	$220,294	$179,501
Increase in Pension Obligations		
Interest on Pension Obligations	6,668	7,219
Pension Obligations Accrued	10,730	8,011
Net Experience Loss	-	892
Change in Actuarial Assumptions (Note 6)	-	30,467
Addition of New Members	282	283
	17,680	46,872
Decrease in Pension Obligations		
Pension Obligations Paid	6,794	6,079
Net Experience Gain	2,083	-
Change in Actuarial Assumptions (Note 6)	21,668	-
	30,545	6,079
Pension Obligations, End of Year (Statement 1, Note 6)	$207,429	$220,294

(See accompanying notes to the financial statements)

March 31, 2016

1. Description of the Plan

a) General

The Judges of the Provincial Court Superannuation Plan (Plan) provides defined benefit final average pensions to the Judges of the Provincial Court of Saskatchewan under *The Provincial Court Act, 1998*.

The Provincial Court Act, 1998, also provides authority to the Judges of the Provincial Court Superannuation Fund (Fund) to accumulate all contributions by judges, investment income and payments received from the GRF. Pensions, annuities, supplementary allowances, refunds and interest are paid out of the Fund.

Under *The Provincial Court Act, 1998*, the judges are entitled to a retirement benefit from the pension plan (called a registered pension plan) under *The Provincial Court Pension Plan Regulations* to the maximum permitted by the *Income Tax Act* (Canada) and an additional retirement benefit under *The Provincial Court Compensation Regulations*. The additional retirement benefit is not part of the registered pension plan.

Further plan details are contained in *The Provincial Court Act, 1998*, and the related regulations.

b) Administration

The Minister of Finance administers the Fund and is responsible for the investment of the Fund. Day-to-day administration is provided by the Public Employees Benefits Agency (PEBA).

c) Funding Policy

Judges contribute five per cent of salary each year.

d) Retirement

The normal retirement age is 65. Judges appointed under *The Magistrates' Courts Act* retire at age 70. There are no remaining active members who will receive benefits under *The Magistrates' Courts Act*. There is one member appointed under *The Magistrates' Courts Act* who has elected to receive benefits under *The Provincial Court Act, 1998,* and three members receiving benefits under *The Magistrates' Courts Act*.

e) Registered Pension Plan

Pursuant to *The Provincial Court Pension Plan Regulations*, the annual pension payable to a superannuated judge is two per cent of the average of the judge's highest three years of salary to the maximum permitted by the *Income Tax Act* (Canada), multiplied by the total number of years of service for which the judge has contributed. The maximum number of years of service is 23 1/3 years.

f) **Additional Retirement Benefits**

Judges are entitled to receive a retirement benefit, including the benefit from the registered pension plan, of three per cent of the average of the judge's highest three years of salary, multiplied by the total number of years of service for which the judge has contributed. The maximum number of years of service is 23 1/3 years. Under *The Provincial Court Compensation Regulations*, judges, who have served for at least 18 years, have attained the age of 58 years or more and the total of the judge's age in years and years of contributory service equals 80 or more, are entitled to a retirement benefit including the benefit from the registered pension plan of 70 per cent of the average of the judge's highest three years of salary.

The Provincial Court Compensation Regulations provide for benefits for judges appointed after September 30, 1978, and before December 13, 1985. A judge appointed between these dates, who was 50 years or less on the day of appointment, was engaged in the practice of law for 10 years prior to appointment, was a member in good standing of the bar in a province of Canada for at least 10 years prior to appointment, retires at age 65, and at retirement has served continuously for at least 15 years as a judge, is entitled to a retirement benefit including the benefit from the registered pension plan of 70 per cent of the average of the judge's highest three years of salary.

Effective April 1, 2009, a judge who receives a pension pursuant to *The Provincial Court Pension Plan Regulations* and has made contributions to the superannuation fund with respect to allowances paid to the judge, is entitled to receive an additional retirement benefit for life with respect to those allowances. Allowances are paid to the Chief Judge, Associate Chief Judges, Administrative Judges and Northern Judges.

g) **Refunds of Contributions**

A judge, who retires, resigns or is removed from office, and who is not entitled to receive a pension, is entitled to receive a refund of contributions together with interest.

h) **Income Tax**

The Plan is a registered pension plan, as defined by the *Income Tax Act* (Canada) and accordingly, is not subject to income taxes. Allowances and refunds are subject to withholding taxes that are remitted to the Canada Revenue Agency.

2. Basis of Preparation

a) **Statement of Compliance**

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

These financial statements were authorized and issued on July 7, 2016.

b) **Basis of Measurement**

The financial statements have been prepared on the historical cost basis except for financial instruments which have been valued at fair value.

c) **Functional and Presentation Currency**

These financial statements are presented in Canadian dollars, which is the Plan's functional currency, and are rounded to the nearest thousand unless otherwise stated.

3. Significant Accounting Policies

The significant accounting policies are as follows:

a) Basis of Accounting

These financial statements are prepared on the going-concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity independent of the sponsor and plan members. They are prepared to assist Plan members and others in reviewing the activities of the Plan for the fiscal period but they do not portray the funding requirements of the Plan or the benefit security of individual plan members.

b) Investments

Pooled-fund investments are valued at the unit value supplied by the pooled-fund administrator, which represent the underlying net assets of the pooled fund at fair values determined using closing bid prices.

The change in the market value of investments during the year is reflected on the financial statements as a market-value adjustment.

c) Investment Transactions and Income

Investment transactions are recorded on the trade date. Transactions conducted in foreign currencies are translated into Canadian dollars using the exchange rate in effect at the transaction date. Dividend income is recognized on the record date. Monetary items denominated in foreign currency are translated at the exchange rate in effect at year-end.

d) Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for pension plans requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and changes in estimates are recorded in the accounting period in which they are determined. The most significant estimation process is related to the actuarial determination of the pension obligation (Note 6).

e) Future Accounting Changes

Certain new standards, amendments to standards and interpretations, are not yet effective for the year ended March 31, 2016, and have not been applied in preparing these financial statements. In particular, IFRS 9, Financial Instruments, which has an effective date of adoption of January 1, 2018. The extent of the impact of adoption of this standard is not known at this time, but is not expected to be material.

4. Investments

The Plan’s investment portfolio is passively managed by TD Asset Management Inc. Foreign equities including foreign pooled funds are limited to 38 per cent of the market value of the investment portfolio and are denominated in Canadian dollars. The Plan’s units in pooled funds have no fixed interest rate and the returns are based on the success of the fund manager.

The Plan's pooled funds are comprised of the following:

(in thousands)
2016

	Units Held	Per Cent of Total Units Outstanding	Market Value	Investment Income and Change in Market Value
TD Emerald Canadian Bond Index Fund	1,021	0.28	$13,421	$ 98
TD Emerald Canadian Equity Index Fund	160	0.13	5,843	(408)
TD Emerald International Equity Index Fund	276	0.12	4,013	(269)
TD Emerald US Market Index Fund	259	0.27	5,069	177
TD Emerald Canadian Short Term Investment Fund	84	0.05	822	11
			$29,168	$ (391)

(in thousands)
2015

	Units Held	Per Cent of Total Units Outstanding	Market Value	Investment Income and Change in Market Value
TD Emerald Canadian Bond Index Fund	988	0.26	$13,322	$1,230
TD Emerald Canadian Equity Index Fund	152	0.11	6,252	413
TD Emerald International Equity Index Fund	268	0.12	4,282	508
TD Emerald US Market Index Fund	253	0.25	4,892	1,057
TD Emerald Canadian Short Term Investment Fund	132	0.07	1,302	16
			$30,050	$3,224

The TD Emerald Canadian Equity Index Fund, the TD Emerald US Market Index Fund and the TD Emerald International Equity Index Fund all may use derivative financial instruments such as forward and futures contracts, options and swaps, as permitted by the Canadian Securities legislation, to gain exposure to the S&P/TSX Composite Index, the S&P 500 Index and the MSCI EAFE Index and their underlying components respectively, to hedge against movements in currency exchange rates and equity indices, and to increase liquidity within the portfolio. Sufficient cash or securities will be held within each fund to cover all derivative obligations.

Derivative financial instruments are financial contracts that change in value resulting from changes in underlying assets or indices. Derivatives transactions are conducted in over-the-counter markets directly between two counterparties or on regulated exchange markets. All derivative financial instruments are recorded at market value using market prices. Where market prices are not readily available, other valuation techniques are used to determine market value.

Fair Value

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

Under the classification structure, financial instruments recorded at unadjusted quoted prices in active markets for identical assets and liabilities are classified as Level 1. Instruments valued using inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly are classified as Level 2. Instruments valued using inputs that are not based on observable market data are classified as Level 3.

The Plan presently holds only financial instruments that are classified as Level 2.

5. Deficiency Recoveries from the GRF

Section 22 of *The Provincial Court Act, 1998,* provides that annuities under *The Magistrates' Courts Act* shall be paid out of the Fund. A judge of the magistrates' courts may elect to receive an annuity to which he/she was entitled under *The Magistrates' Courts Act* rather than contributing to the Fund and receiving benefits as determined by *The Provincial Court Act, 1998*. Accordingly, the annuities which are now or will become payable under *The Magistrates' Courts Act* are considered to be a deficiency and the Fund is reimbursed by the GRF each year. Also, any amounts payable under *The Provincial Court Act, 1998* to superannuates in excess of an individual's accumulated contributions are considered as a deficiency, and are recovered from the GRF. In addition, the GRF may make lump sum contributions to reduce any unfunded liability.

During the year, the Fund determined the following deficiency recoveries from the GRF. All amounts have been received from the GRF with the exception of $8,683 (2015 - $11,478), still receivable as at March 31, 2016:

		(in thousands)	
		2016	**2015**
Deficiencies	- *The Magistrates' Courts Act*	$ 259	$ 230
	- *The Provincial Court Act, 1998*	5,670	5,431
		$5,929	$ 5,661

6. Pension Obligations

The present value of pension obligations was determined using the projected benefit method prorated on services and the best estimate assumptions approved by PEBA. Aon Hewitt completed an actuarial valuation of the Plan at March 31, 2016. The next annual valuation is due March 31, 2017.

The pension obligation is based on a number of assumptions about future events including: discount rate, rate of salary increase, mortality, retirement rates and inflation. The actual rates may vary significantly from the long-term assumptions used.

There has been no change in the mortality table used since the previous valuation done in 2015. The 2014 Canadian Pensioner Mortality Table, Public Sector, (CPM-Public) with pension size adjustments and projected generationally with scale CPM-B has been used for the valuation as at March 31, 2016.

There has been a change in the discount rate since the previous valuation done in 2015. This yield has increased from three per cent to 3.50 per cent, resulting in a decrease in the pension obligations of $15,813,000.

There has been a change in the inflation rate since the previous valuation done in 2015. This yield has decreased from 2.50 per cent to 2.25 per cent, resulting in a decrease in the pension obligations of $5,855,000

The significant long-term assumptions used in the actuarial valuation of pension obligations are as follows:

	2016	2015
Salary Escalation Rate	3.25%	3.50%
Inflation Rate	2.25%	2.50%
Discount Rate	3.50%	3.00%
Mortality Table	2014 CPM Public Table with Generational projection and pension size adjustment factors	2014 CPM Public Table with Generational projection and pension size adjustment factors
Indexing Post April 1, 2003	75% CPI	75% CPI
Indexing Pre April 1, 2003	70% CPI	70% CPI

The following illustrates the effect on the pension obligations if the assumptions used in estimating the obligations change:

Long-term Assumptions

	Inflation*		**Salary**		**Discount Rate**		**Post-retirement Indexing ****	
Assumptions	1.0%	(1.0%)	1.0%	(1.0%)	1.0%	(1.0%)	1.0%	(1.0%)
(Decrease) Increase in Liability	(4.2%)	4.5%	1.5%	(1.4%)	(12.9%)	16.1%	12.6%	(10.6%)

* A change in the inflation rate assumption of plus one per cent (minus one per cent) automatically results in a corresponding change in the discount rate of one per cent (minus one per cent); in the salary scale of plus one per cent (minus one per cent) and in the post-retirement indexing due to the way in which these assumptions are interrelated. The change in salary scale, discount rate, or the post-retirement indexing assumptions does not have any effect on the other assumptions listed above.

****** Post retirement indexing includes the impact of a one per cent change in the pre-2003 indexing and in the post-2003 indexing.

If there are insufficient monies in the Fund to pay allowances or other payments, the Minister of Finance is obligated to pay any such deficiency out of the GRF. The unfunded liability for the Plan is not payable immediately. The expected cash inflows from contributions and the expected cash outflows to pay the required pension obligation are calculated using the above assumptions. The net cash outflows do not consider future investment income and the redemption of investments. The expected net cash flows are not adjusted for inflation, they are based on actual dollar forecasts. The estimated net cash outflows for the next five years are $38.5 million, for the next 10 years $95.2 million and for the next 30 years $381.5 million.

7. Due from GRF

The Fund's bank account is included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan.

The earned interest on the bank account is calculated and paid from the GRF on a quarterly basis using the Government's thirty-day borrowing rate and the average daily bank account balance. The Government's average thirty-day borrowing rate for the year ended March 31, 2016, was 0.60 per cent (2015 – 0.92 per cent).

8. Financial Risk Management

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

Significant financial risks are related to the Plan's investments. These financial risks are managed by having an investment policy, which is reviewed by PEBA and recommended by PEBA to the Minister of Finance for approval annually. The investment policy provides guidelines to the Plan's investment managers for the asset mix of the portfolio regarding quality and quantity of fixed income and equity investments. The asset mix helps to reduce the impact of market value fluctuations by requiring investments in different asset classes and in domestic and foreign markets. PEBA reviews regular compliance reports from its investment managers as to their compliance with the investment policy. PEBA also reviews regular compliance reports from its custodian as to the investment managers' compliance with the investment policy.

Credit Risk

Credit risk is the risk that one party does not pay funds owed to another party. The Plan's credit risk arises primarily from accounts receivable and certain investments. The maximum credit risk to which it is exposed at March 31, 2016, is limited to the carrying value of the financial assets summarized as follows:

	(in thousands)	
	2016	2015
Receivables	$ 9	$ 18
Due from the GRF	414	218
Fixed Income Investments[1]	14,243	14,624

[1] Includes the bond and short-term pooled funds.

Credit risk within investments is primarily related to the TD Emerald Canadian Short-Term Pooled Investment Fund and the TD Emerald Canadian Bond Index Fund. It is managed through the pooled fund prospective that limits fixed-term investments to those of high credit quality (minimum rating for bonds is intended to be A, and for short-term investments is R-1) along with limits to the maximum notional amount of exposure with respect to any one issuer.

Market Risk

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

Interest Rate Risk

The Plan is exposed to changes in interest rates in its fixed-income investments. Duration is a measure used to estimate the extent market values of fixed-income instruments change with changes in interest rates. Using this measure, it is estimated that a 100 basis point change in interest rates would change net assets available for benefits and unfunded liability by $1 million at March 31, 2016, representing 7.5 per cent of the $13.4 million fair value of fixed-income investments.

Foreign Exchange

The Plan is exposed to changes in the U.S. dollar exchange rate through its investment in the U.S. Market Index pooled fund. Also, the Plan is exposed to International currencies through its investment in the International Equity Index pooled fund. Exposure to both U.S. equities and International equities is limited to a maximum 38 per cent of the market value of the total investment portfolio. At March 31, 2016, the Plan's exposure to U.S. equities was 17.4 per cent (2015 – 16.3 per cent) and its exposure to International equities was 13.8 per cent (2015 – 14.3 per cent).

At March 31, 2016, a 10 per cent change in the Canadian dollar versus U.S. dollar exchange rate would result in approximately a $0.51 million change in net assets available for benefits and unfunded liability. A 10 per cent change in the Canadian dollar versus International currencies would result in approximately a $0.40 million change in net assets available for benefits and unfunded liability.

Equity Prices

The Plan is exposed to changes in equity prices in Canadian, U.S. and International markets through its pooled funds. Equity pooled funds comprise 51.2 per cent (2015 – 51.3 per cent) of the market value of the Plan's total investments.

The following table indicates the approximate change that could be anticipated to both the change in net assets available for benefits and unfunded liability based on changes in the Plan's benchmark indices March 31, 2016:

	(in thousands)	
	10% increase	10% decrease
S&P/TSX Composite Index	$ 584	$ (584)
S&P 500 Index (CAD)	507	(507)
MSCI EAFE Index (CAD)	401	(401)

Liquidity Risk

Liquidity risk is the risk that the Plan is unable to meet its financial obligations as they fall due. Cash resources are managed on a daily basis based on anticipated cash flows. Accounts payable and accrued liabilities will be paid within the next fiscal period.

9. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Plan by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan collectively referred to as "related parties". The operating expenses associated with administering the Plan are paid to the PEBA Revolving Fund. At year end, the Plan has an accounts payable to the PEBA Revolving Fund of $23,605 (2015 - $16,505).

Other transactions with related parties and amounts due to or from them are disclosed separately in these financial statements and notes. Related party transactions with the Plan are in the normal course of operation and are recorded at exchange amounts agreed to by the parties to the transactions.

10. Fair Value of Financial Assets and Financial Liabilities

For the following financial instruments, the fair value approximates their carrying value due to the immediate or short-term nature of these instruments:

a) Due from GRF;
b) Other Receivables; and
c) Accounts Payable.

The calculation of fair-value investments are disclosed in Note 3 and Note 4.

The fair value of pension obligations cannot be readily determined; however, information about the pension obligations is provided in Note 6.

11. Investment Performance

PEBA reviews the investment performance of the Plan in terms of the performance of the benchmark portfolio over four-year rolling periods. The primary long-term investment performance objective for the entire portfolio is to outperform a benchmark portfolio.

The following is a summary of the Plan's investment performance:

	2016	2015	Rolling Four-year Average Annual Return
Plan's Actual Rate of Return (a)	(1.30%)	12.16%	7.49%
Plan's Benchmark (b)	(1.50%)	12.28%	7.40%

(a) The annual returns are before deducting investment expenses.
(b) The Fund's benchmark for its investment portfolio has been calculated using the actual returns of the following indices: The Standard & Poors (S&P) / Toronto Stock Exchange Capped Composite Index, the S&P 500 (Canadian dollars) Index, the Morgan Stanley Capital International Europe, Australasia and Far East Index (Canadian dollars), the FTSE TMX Universe Bond Index, and the FTSE TMX 91-Day Treasury Bill Index.

12. Administration Expenses

	(in thousands)		
	2016		2015
	Budget	Actual	Actual
Administration	$55	$77	$73
Investment Management Fees – TD Asset Management Inc.*	7	11	16
	$62	$88	$89

*Investment management fees are based on the market value of the Fund's portfolio

13. Refunds and Transfers

Refunds and transfers relate to the refund of contributions for terminations where the members were not vested and for marriage breakdown.

14. Capital Management

The Plan receives new capital from judges' contributions and deficiency payments. The Plan also benefits from income and market value increase on its invested capital. The Plan's capital is invested in a number of pooled funds including equity funds, a fixed income fund, and a money market fund. The Minister of Finance has delegated the operational investment decisions to TD Asset Management Inc. as defined in the Plan's Statement of Investment Policy and Procedures.