

Saskatchewan Water Corporation Retirement Allowance Plan



Annual Report for 2017

Table of Contents

- Letters of Transmittal 2
- Introduction 3
- Enrolment 3
- Benefits 3
- Management’s Report 4
- Actuarial Opinion 5
- Financial Statements**
 - Independent Auditor’s Report 8
 - Statement of Financial Position 9
 - Statement of Operations and Net Financial Assets 10
 - Statement of Cash Flows 11
 - Notes to the Financial Statements 12

Letters of Transmittal

His Honour, The Honourable W. Thomas Molloy
Lieutenant Governor of the Province of Saskatchewan

May it Please Your Honour:

I have the honour to transmit herewith the Annual Report of the Saskatchewan Water Corporation Retirement Allowance Plan for the year ending December 31, 2017.



Donna Harpauer
Minister of Finance

The Honourable Donna Harpauer
Minister of Finance

Madam:

On behalf of the Public Employees Benefits Agency, I have the honour to transmit herewith the Annual Report of the Saskatchewan Water Corporation Retirement Allowance Plan for the year ending December 31, 2017.



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

Saskatchewan Water Corporation Retirement Allowance Plan

Introduction

The Saskatchewan Water Corporation (the Corporation) established the Saskatchewan Water Corporation Retirement Allowance Plan (the Plan) on April 1, 1999, for the purpose of providing certain retirement benefits to out-of-scope employees of the Corporation.

The Plan is not registered as a pension plan under the *Income Tax Act* (Canada). The Corporation has not established a trust nor does it hold property for the specific purpose of providing benefits to the participants. Benefits are funded out of current operations of the Corporation.

The Corporation managed the Plan from April 1, 1999, to November 16, 2004. On November 16, 2004, an Order in Council designated the Plan as a benefit program to be operated, administered and managed by the Public Employees Benefits Agency (PEBA).

Enrolment

The Plan includes all out-of-scope employees of the Corporation. As at December 31, 2017, there were 45 (2016 - 44) active members in the Plan.

Benefits

Members of the Plan retiring from the Corporation, in accordance with the provision of the pension plan they are enrolled in, are paid a retirement allowance of two (2) days pay for each year of service or portion thereof to a maximum of forty-three (43) days pay. The retirement allowance is calculated at the employee's regular rate of pay at the date of retirement.

Management's Report

To the Members of the Legislative Assembly of Saskatchewan

As administrators of the Saskatchewan Water Corporation Retirement Allowance Plan, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian public sector accounting standards.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

We believe the Saskatchewan Water Corporation Retirement Allowance Plan has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian public sector accounting standards.

The accrued benefits obligation is determined by an actuarial valuation. Actuarial valuation reports require management's best estimate assumptions about future events.

Enclosed are the financial statements of the Saskatchewan Water Corporation Retirement Allowance Plan for the year ended December 31, 2017, and the Provincial Auditor's report on these financial statements.

Regina, Saskatchewan
April 20, 2018



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

Actuarial Opinion

With respect to the SaskWater Retirement Allowance Program, I have prepared an actuarial valuation as at December 31, 2017, for the purpose of determining the necessary actuarial information for financial statement reporting in accordance with Section 3255 of the CPA Canada Handbook. In my opinion, for the purpose of this actuarial valuation:

- The data on which this valuation is based are sufficient and reliable;
- Where applicable, the assumptions have been adopted as management's best estimates for accounting purposes and are appropriate;
- The actuarial cost method employed is appropriate; and
- The valuation conforms with the requirements of Section 3255 of the CPA Canada Handbook.

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

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



Paul Hebert, FSA, FCIA
Associate Partner
Fellow, Society of Actuaries
Fellow, Canadian Institute of Actuaries

January 18, 2018

**Saskatchewan Water Corporation
Retirement Allowance Plan**

Financial Statements

Year Ended December 31, 2017

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of Saskatchewan Water Corporation Retirement Allowance Plan, which comprise the statement of financial position as at December 31, 2016 and December 31, 2017, and the statement of operations and changes in net financial assets and statement of cash flows for the years 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 public sector accounting standards 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 Saskatchewan Water Corporation Retirement Allowance Plan as at December 31, 2016, and December 31, 2017, and the results of its operations and changes in net financial assets and cash flows for the years then ended in accordance with Canadian public sector accounting standards.



Judy Ferguson, FCPA, FCA
Provincial Auditor

Regina, Saskatchewan
April 20, 2018

**Saskatchewan Water Corporation Retirement Allowance Plan
Statement of Financial Position**

Statement 1

As at December 31

	<u>2017</u>	<u>Restated 2016</u>	<u>January 1, 2016</u>
Financial Assets			
SaskWater Contribution Receivable (Note 4)	\$ 223,115	\$ 255,600	\$ 229,200
Liabilities			
Benefit Liability (Note 5)	223,115	255,600	229,200
Net Financial Assets and Accumulated Surplus	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(See accompanying notes to the financial statements)

**Saskatchewan Water Corporation Retirement Allowance Plan
Statement of Operations and Net Financial Assets**

Statement 2

Year Ended December 31

	<u>2017</u>	<u>Restated 2016</u>
Revenues		
Contribution Receivable	\$ 25,115	\$ 26,400
Amortization of Actuarial Gains	685	-
	<u>25,800</u>	<u>26,400</u>
Expenses		
Current Year Benefit Costs	17,300	17,500
Interest on Benefit Liability	8,500	8,900
	<u>25,800</u>	<u>26,400</u>
Surplus (Deficit) for the year	<u>-</u>	<u>-</u>
Net Financial Assets, Beginning of Year	<u>-</u>	<u>-</u>
Net Financial Assets, End of Year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

(See accompanying notes to the financial statements)

**Saskatchewan Water Corporation Retirement Allowance Plan
Statement of Cash Flows**

Statement 3

Year Ended December 31

	<u>2017</u>	<u>Restated 2016</u>
Operating Activities:		
Contributions received from SaskWater	\$ 57,600	\$ -
Eligible Benefits paid	(57,600)	-
Net Increase (Decrease) in Cash	-	-
Cash Equivalents, Beginning of Year	-	-
Cash Equivalents, End of Year	<u>\$ -</u>	<u>\$ -</u>

(See accompanying notes to the financial statements)

Saskatchewan Water Corporation Retirement Allowance Plan

Notes to the Financial Statements

December 31, 2017

1. Description of the Plan

The Saskatchewan Water Corporation (the Corporation) established the Saskatchewan Water Corporation Retirement Allowance Plan (the Plan) on April 1, 1999 for the purpose of providing certain retirement benefits to out-of-scope employees of the Corporation.

The Plan is not registered as a pension plan under the *Income Tax Act (Canada)*. The Corporation has not established a trust nor does it hold property for the specific purpose of providing benefits to the participants. Benefits are funded out of current operations of the Corporation.

The Corporation managed the Plan from April 1, 1999 to November 16, 2004. On November 16, 2004, an Order in Council designated the Plan as a benefit program to be operated, administered and managed by the Public Employees Benefits Agency (PEBA). An agreement has been established between PEBA and the Corporation, which specifies the administrative services that the Corporation will provide.

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

Eligibility

The plan includes all out of scope employees of the Corporation. As at December 31, 2017, there were 45 (2016 - 44) active members in the plan.

Benefits

Members of the Plan retiring from the Corporation, in accordance with the provisions of the pension plan they are enrolled in, are paid a retirement allowance of two (2) days pay for each year of service or portion thereof to a maximum of forty-three (43) days pay. The retirement allowance is calculated at the employee's regular rate of pay at the date of retirement.

2. Significant Account Policies

These financial statements are prepared in accordance with Canadian public sector accounting standards. These statements do not present a Statement of Re-measurement Gains and Losses as the Plan has no re-measurement gains or losses. These statements also do not present a Statement of Changes in Net Financial Assets as the Plan does not hold any non-financial assets. The following accounting policies are considered significant:

a) Revenue Recognition

Contributions are recognized as revenue as the corresponding cost of service benefits are incurred.

2. Significant Account Policies - continued

b) Financial Instruments

All financial instruments are measured at fair value on initial recognition and recorded on the statement of financial position. Financial instruments classified as loans and receivables are subsequently measured at amortized cost. The SaskWater contributions receivable, a financial instrument, has been classified in the loans and receivables category. The fair value of this receivable is its carrying value.

c) Benefit Liability

The accrued benefits obligation and cost of service benefits are determined using the projected benefit method pro-rated on service.

d) Measurement Uncertainty

The preparation of financial statements in accordance with Public Sector Accounting Standards requires management to make estimate and assumptions that affect the reporting 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 benefit liability.

3. Conversion to Public Sector Accounting Standards

In December 2014, the Public Sector Accounting Board (PSAB) changed the introduction to Public Sector Accounting Standards (PSAS) to introduce a new category of public sector entity (a government component). At the same time, it amended the definition of another government organization. The Introduction to PSAS includes transitional provisions that make these changes applicable for periods beginning on or after January 1, 2017.

Given the changes to the definition to other government organizations effective January 1, 2017, the Plan no longer fits within this category and now fits under the classification as a government component. Government components must apply PSAS as there is not an option to apply the CPA Canada Handbook.

Effective January 1, 2017, the Plan adopted the requirements of the PSAS accounting framework. These are the Plan's first financial statements prepared in accordance with this framework, and the transitional provisions of Section 2125, First-time Adoption by Government Organizations have been applied. Section 2125 requires retroactive application of the accounting standards with certain elective exemptions and mandatory exemptions. The Plan has elected not to recalculate the accrued benefit obligation as at December 31, 2016 according to Section 2125.09. The Plan has also elected to recognize all cumulative actuarial gains and losses at the date of transition directly in accumulated surplus/deficit as Section 2125.10 permits. The accounting policies set out in the Summary of Significant Accounting Policies have been applied in preparing the financial statements for the year ended December 31, 2017, the comparative information presented in these financial statements for the year ended December 31, 2016 and the preparation of an opening balance sheet at the date of transition of January 1, 2016.

4. **SaskWater Contribution Receivable**

Eligible benefits payments will be funded by the Corporation as eligible employees retire.

5. **Benefit Liability**

The present value of the accrued benefits obligation was determined using the projected benefits method prorated on service and the best estimate assumptions of the Corporation's management. Plan experience is the difference between the expected and actual benefits obligation and is recognized in accordance with Section PS 3255 post-employment benefits, compensated absences and termination benefits. Aon Consulting Inc. performed an actuarial valuation as at December 31, 2017 to determine the actuarial present value of the benefits obligation. The effective date of the next required actuarial valuation is December 31, 2018.

The accrued benefits obligation is based on many assumptions about future events. Actual experience may vary significantly from the long-term assumptions used. The actuarial valuation is based on the following assumptions:

	<u>2017</u>	<u>2016</u>
Discount Rate	2.90%	3.60%
Inflation Rate	2.25%	2.25%
Salary Increase	2.75%	2.75%
Termination Rate up to Age 49	5.00%	5.00%

Retirement - members of the Public Employees Pension Plan - at age 60
- members of the Public Service Superannuation Plan - at the earlier of age 60 (20 years of service), age 65 (5 years of service), or 35 years of service

5. Benefit Liability - continued

The following illustrates the effect of changes in these assumptions on the accrued benefits obligations:

Assumption	Change Made	Change in Obligation at December 31, 2017	Percentage Change in Obligation
Annual Termination Rate	Plus 0.5%	(3,200)	(1.3%)
	Minus 0.5%	3,400	1.4%
Discount Rate	Plus 0.5%	(9,400)	(3.8%)
	Minus 0.5%	10,200	4.1%
General Salary Increase	Plus 0.5%	10,200	4.1%
	Minus 0.5%	(9,400)	(3.8%)

The actuarial present value of the benefits obligation is long-term in nature and there is no market for settling this obligation. Therefore, determination of the fair value is not practicable.

	<u>Dec 31, 2017</u>	<u>Dec 31, 2016</u>
Accrued Benefits Obligation, End of Year	\$ 246,600	\$ 248,200
Unamortized Actuarial Gains (Losses)	<u>(23,485)</u>	<u>7,400</u>
Benefit Liability, End of Year	<u>\$ 223,115</u>	<u>\$ 255,600</u>

6. Financial Risk Management

The nature of the Plan's operations result in a statement of financial position, statement of operations and net financial assets, and statement of cash flows. As benefits are funded out of current operations of the Corporation, the Plan's financial risks relate primarily to credit risk. The maximum credit risk to which it is exposed at December 31, 2017 is limited to the carrying value of its contributions receivable from the Corporation.

7. Related Parties

Included in these financial statements are transactions with the Corporation who is related to the Plan by virtue of common control by the Government of Saskatchewan.

The Plan has received the use of office space and administrative services from the Corporation at no charge. Additionally, PEBA provides administrative services to the Plan for an administration fee which is paid by the Corporation.

8. Comparative Figures

Certain comparative figures have been restated to conform to current year's presentation.