

Saskatchewan Water Corporation Retirement Allowance Plan



Annual Report for 2018

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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, 2018.

A handwritten signature in cursive script that reads "Donna Harpauer".

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, 2018.

A handwritten signature in cursive script that reads "Dave Wild".

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, 2018, there were 45 (2017 - 45) 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, 2018, and the Provincial Auditor's report on these financial statements.

Regina, Saskatchewan
March 26, 2019



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, 2018, 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
Associate Partner
Fellow, Society of Actuaries
Fellow, Canadian Institute of Actuaries

January 18, 2019

Saskatchewan Water Corporation Retirement Allowance Plan

Financial Statements

Year Ended December 31, 2018

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

Opinion

We have audited the financial statements of Saskatchewan Water Corporation Retirement Allowance Plan, which comprise the statement of financial position as at December 31, 2018, and the statement of operations and net financial assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of *Saskatchewan Water Corporation Retirement Allowance Plan* as at December 31, 2018, and the results for its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting 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 Saskatchewan Water Corporation Retirement Allowance Plan in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing Saskatchewan Water Corporation Retirement Allowance Plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Saskatchewan Water Corporation Retirement Allowance Plan or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Saskatchewan Water Corporation Retirement Allowance Plan's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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 Saskatchewan Water Corporation Retirement Allowance Plan's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Saskatchewan Water Corporation Retirement Allowance Plan's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Saskatchewan Water Corporation Retirement Allowance Plan to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 identified during the audit.

Regina, Saskatchewan
March 26, 2019



Judy Ferguson, FCPA, FCA
Provincial Auditor

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

Statement 1

Year Ended December 31

	<u>2018</u>	<u>2017</u>
Financial Assets		
SaskWater contribution receivable (Note 3)	<u>\$ 252,105</u>	<u>\$ 223,115</u>
Liabilities		
Benefit liability (Note 4)	<u>252,105</u>	<u>223,115</u>
Net Financial Assets and Accumulated Surplus	<u><u>\$ -</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

Revenues

	<u>2018</u>	<u>2017</u>
Contributions receivable	\$ 28,990	\$ 25,115
Amortization of actuarial gains	<u>-</u>	<u>685</u>
	<u>28,990</u>	<u>25,800</u>

Expenses

Current year benefit costs	19,300	17,300
Interest on benefit liability	7,700	8,500
Amortization of actuarial losses	<u>1,990</u>	<u>-</u>
Surplus (deficit) for the year	28,990	25,800
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 statement)

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

Statement 3

Operating Activities:

	<u>2018</u>	<u>2017</u>
Contributions received from SaskWater	\$ -	\$ 57,600
Eligible benefits paid	<u>-</u>	<u>(57,600)</u>
Net increase (decrease) in Cash	<u>-</u>	<u>-</u>
Cash, beginning of year	<u>-</u>	<u>-</u>
Cash, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

(See accompanying notes to the financial statements)

Saskatchewan Water Corporation Retirement Allowance Plan

Notes to the Financial Statements

December 31, 2018

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, 2018, there were 45 (2017 - 45) 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 Accounting 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.

2. Significant Accounting Policies - continued

The following accounting policies are considered significant:

a) Revenue Recognition

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

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.

e) New Standards and Interpretations that came into effect during the year.

The Plan adopted the following new and amended standards and interpretations effective

April 1, 2017:

- i) PS 2200 Related Party Disclosures - A new standard defining related parties and establishing disclosure requirements for related party transactions.
- ii) PS 3210 Assets - A new standard providing guidance for applying the definition of assets and establishing disclosure standards for assets.
- iii) PS 3320 Contingent Assets - A new standard defining and establishing disclosure standards on contingent assets.
- iv) PS 3380 Contractual Rights - A new standard defining and establishing disclosure standards on contractual rights
- v) PS 3420 Inter-Entity Transactions - A new standard establishing guidance on accounting for, and reporting on transactions between entities that comprise a government's reporting entity.

The adoption of these new and amended standards had no impact on the financial statements.

3. SaskWater Contribution Receivable

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

4. 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, 2018 to determine the actuarial present value of the benefits obligation. The effective date of the next required actuarial valuation is December 31, 2019.

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:

	2018	2017
Discount rate	3.10%	2.90%
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.

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

Assumption	Change Made	Change in Obligation at December 31, 2018	Percentage change in Obligation
Annual termination rate	Plus 0.5%	(3,400)	(1.2%)
	Minus 0.5%	3,600	1.3%
Discount rate	Plus 0.5%	(10,700)	(3.7%)
	Minus 0.5%	11,500	4.0%
General salary increase	Plus 0.5%	11,500	4.0%
	Minus 0.5%	(10,700)	(3.7%)

The actuarial present value of the accrued 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.

4. Benefit Liability - continued

	2018	2017
Accrued benefits obligation, beginning of year	\$ 246,600	\$ 248,200
Current benefit cost	19,300	17,300
Interest cost	7,700	8,500
Benefits paid	-	(57,600)
Actuarial (gains)/losses	12,400	30,200
Accrued benefits obligation, end of year	286,000	246,600
Unamortized actuarial gains/(losses)	(33,895)	(23,485)
Benefit liability, end of year	<u>\$ 252,105</u>	<u>\$ 223,115</u>

5. 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, 2018 is limited to the carrying value of its contributions receivable from the Corporation.

5. 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.