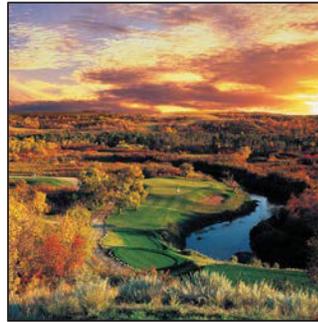


# Saskatchewan Government Insurance Service Recognition Plan



## Annual Report for 2017



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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 Government Insurance Service Recognition 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 Government Insurance Service Recognition Plan for the year ending December 31, 2017.



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

# Saskatchewan Government Insurance Service Recognition Plan

## Introduction

Saskatchewan Government Insurance (SGI) established the SGI Service Recognition Plan (the Plan) effective January 1, 1999, for the payment of retirement benefits to certain employees.

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

SGI was the administrator of the Plan from January 1, 1999 to January 13, 2004. On January 13, 2004, an Order in Council designated the Public Employees Benefits Agency (PEBA) as the administrator of the Plan pursuant to *The Financial Administration Act, 1993*.

## Enrolment

SGI out-of-scope employees receive benefits from the Plan, provided they meet eligibility requirements. At December 31, 2017, there were 237 (2016 – 239) participants in the Plan and 10 (2016 – 19) terminated participants who received benefits from the Plan during the year.

## Benefits

Participants in the Plan are eligible for benefits upon termination of employment, without cause, provided they meet eligibility requirement of the earlier of the employee attaining age 50 or the sum of the employee's age and years of service is at least 75. Employees meeting either criterion receive a lump sum payment of five days salary, based on the termination salary rate, for each year of service with SGI.

A participant in the Plan who dies while a member of the Plan is deemed to satisfy the eligibility requirements. The member's beneficiary or estate will receive the same benefit as at termination or retirement based on the formula identified above.

The benefit received is considered a retiring allowance under the *Income Tax Act* (Canada) and is taxable in the hands of the member. A member who has years of service earned prior to 1996, is eligible for a portion of this payment to be a tax-free direct transfer to their RRSP.

# Management's Report

To the Members of the Legislative Assembly of Saskatchewan

As administrators of the Saskatchewan Government Insurance Service Recognition 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 Government Insurance Service Recognition Plan has a system of internal controls 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 Government Insurance Service Recognition 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 Saskatchewan Government Insurance Service Recognition Plan (the “plan”), I have prepared an actuarial valuation of the plan 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 Public Sector Handbook (PS 3255).

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, in my opinion, the assumptions are appropriate for the purpose of the valuation.
- The actuarial cost methods and asset valuation methods employed are appropriate.
- The valuation conforms to the requirements of PS 3255.

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.



Johanan Schmuecker  
Fellow, Society of Actuaries  
Fellow, Canadian Institute of Actuaries

January 19, 2018



# **Saskatchewan Government Insurance Service Recognition 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 Government Insurance Service Recognition Plan which comprise the statement of financial position as at December 31, 2017 and December 31, 2016, and the statement of operations and net financial assets, and statement of cash flow 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 Saskatchewan Government Insurance Service Recognition Plan as at December 31, 2017 and December 31, 2016, and the results of its operations and changes in net financial assets, and its cash flows for the years then ended in accordance with Canadian public sector accounting standards

Regina, Saskatchewan  
April 20, 2018



Judy Ferguson, FCPA, FCA  
Provincial Auditor

**Saskatchewan Government Insurance Service Recognition Plan  
Statement of Financial Position**

**Statement 1**

As at December 31

	(in thousands)		
	<u>2017</u>	<u>Restated 2016</u>	<u>Jan 1, 2016</u>
<b>Financial Assets</b>			
SGI Contributions Receivable (Note 4)	\$ 8,423	\$ 8,642	\$ 9,092
	<u>8,423</u>	<u>8,642</u>	<u>9,092</u>
<b>Liabilities</b>			
Benefits Liability (Note 4)	<u>8,423</u>	<u>8,642</u>	<u>9,092</u>
	<u>8,423</u>	<u>8,642</u>	<u>9,092</u>
<b>Net Financial Assets and Accumulated Surplus (Statement 2)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

**Saskatchewan Government Insurance Service Recognition Plan  
Statement of Operations and Net Financial Assets**

**Statement 2**

Year ended December 31

	(in thousands)	
	<b>2017</b>	<b>Restated 2016</b>
	<u>          </u>	<u>          </u>
<b>Revenues</b>		
Contributions from SGI	\$ 632	\$ 876
	632	876
<b>Expenses</b>		
Benefits Expense	348	600
Interest	272	276
Amortization of Actuarial Losses	<u>12</u>	<u>-</u>
	632	876
<b>Surplus (Deficit) for the year</b>	-	-
Net Financial Assets, Beginning of Year	<u>-</u>	<u>-</u>
Net Financial Assets, End of Year (Statement 1)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

**Saskatchewan Government Insurance Service Recognition Plan  
Statement of Cash Flow**

**Statement 3**

Year ended December 31

(in thousands)

	<u>2017</u>	<u>2016</u>
<b>Operating Activities</b>		
Contributions received from SGI	\$ 851	\$ 1,326
Benefits Paid	<u>(851)</u>	<u>(1,326)</u>
	-	-
<b>Net Increase (Decrease) in Cash</b>		
Cash, Beginning of Year	<u>-</u>	<u>-</u>
Cash, End of Year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

## Saskatchewan Government Insurance Service Recognition Plan Notes to the Financial Statements

December 31, 2017

### 1. Description of the Plan

Saskatchewan Government Insurance (SGI) established the SGI Service Recognition Plan (the Plan) on January 1, 1999 for the purpose of providing certain retirement benefits to SGI employees (the Participants).

The Plan is not registered under the *Income Tax Act* (Canada). SGI 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 SGI.

SGI managed the Plan from January 1, 1999 to January 13, 2004. On January 13, 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 SGI, which specifies the administrative services that SGI will provide.

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

#### Eligibility

Under the Plan, SGI out-of-scope employees are eligible for benefits upon termination of employment with SGI. Employees who are terminated for cause are not eligible. Employees must reach their benefit eligibility date prior to termination in order to receive benefits from the Plan. The benefit eligibility date is the earlier of:

- a) Age plus service equal to or greater than 75; or
- b) Age 50

At December 31, 2017, there were 237 (2016 – 239) participants in the Plan. There were 10 (2016 – 19) terminated participants who received benefits from the Plan during the year, two (2016 – five) terminated participants who did not receive benefits from the Plan, 11 (2016 – 16) union employees that transferred into the Plan, and one (2016 – nil) participant transferred out of the plan and into the union plan.

#### Benefits

Employees meeting the eligibility criteria receive a lump sum payment of five days salary (salary rate being the salary paid at the time of cessation of active work) for each year of continuous service less ineligible leave time and ineligible partial service time.

A participant in the Plan who dies while a member of the Plan is deemed to satisfy the eligibility requirements. The member's beneficiary or estate will receive the same benefit payment based on the calculation identified above.

## **Plan Participation**

Effective December 31, 2011, members in the Plan were given the option to either remain in the Plan and continue accruing benefits, or have their years of service and accrued benefit locked-in at December 31, 2011 and enter the new Management Employee Service Allowance (MESA) program effective January 1, 2012. The MESA provides for an annual payout to the employee, with no accrual of future benefits. The Plan is only open to existing union employees who promote into management, having their years of service locked in at the time of promotion, or to new Executive employees of SGI.

## **2. Basis of Preparation and 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.

The following accounting policies are considered significant:

### **(a) Revenue recognition**

Contributions are recognized as revenue when the benefit liability is 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 SGI contributions receivable, a financial instrument, has been classified in the loans and receivable category. The fair value of this receivable is its carrying value.

### **(c) Accrued benefits obligation**

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 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 benefit liability.

### 3. First Time Adoption of 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 an *other 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 exceptions. The Plan has elected not to recalculate the benefit liability 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. Benefit Liability

The benefit liability of the Plan is receivable from SGI and will be funded by SGI as eligible employees terminate employment. The present value of the accrued benefits obligation was determined using the projected benefits method prorated on service and the best estimate assumptions of SGI's management. AON Hewitt performed the actuarial valuation for accounting purposes as at December 31, 2017. The effective date of the next required valuation is December 31, 2018.

The benefit liability as at December 31 and the principal components of the change in benefit liability during the year were as follows:

	(thousands of \$)	
	2017	2016
Accrued benefit obligation, beginning of the year	\$ 8,766	\$ 9,092
Current benefit cost	348	600
Interest cost	272	276
Benefits paid	(851)	(1,326)
Actuarial losses	364	124
Accrued benefits obligation, end of the year	8,899	8,766
Unamortized actuarial losses	(476)	(124)
Benefit Liability, end of the year	\$ 8,423	\$ 8,642

The actuarial valuation is based on the following assumptions:

	<u>2017</u>	<u>2016</u>
Discount rate		
Beginning of year	3.20%	3.20%
End of year	2.80%	3.20%
Inflation Rate	2.25%	2.25%
General salary increase	2.20%	2.30%
Termination Rate	0.50%	0.70%
Expected average remaining service life (EARSL)	10 years	10 years

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

Assumption	Change Made	Change in Obligation at December 31, 2017 (000's)	Percentage change in Obligation
Total Discount Rate	Plus 1%	(418)	(4.70%)
	Minus 1%	482	5.42%
Inflation Rate	Plus 1%	(57)	(0.64%)
	Minus 1%	58	0.65%
General Salary Increase	Plus 1%	415	4.66%
	Minus 1%	(368)	(4.14%)
Termination Rate	Plus 1%	(435)	(4.89%)
	Minus 0.5%	239	2.69%

In assessing the change arising from a change in the inflation rate assumption, both the salary increase rate and the discount rate are changed, as they include inflation as a component.

Experience gains (losses) result from differences between actual and expected employee terminations, retirements, salary increases, deaths and the addition of new plan members. These are recognized as an increase or a decrease in the accrued benefit obligation.

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.

## 5. Financial Risk Management

The nature of the Plan's operations result in a statement of financial position that consists entirely of financial assets and liabilities. As benefits are funded out of current operations of SGI, 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 SGI.

## 6. Related Party Transactions

Included in these financial statements are transactions with SGI, which 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 SGI at no charge. Additionally, PEBA provides administrative services to the Plan for a yearly administration fee of \$1,000, which is paid by SGI.