Pension Plan for the Employees of the Saskatchewan Workers' Compensation Board

Annual Report for 2013

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Government of Saskatchewan

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Letters of Transmittal

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

May it Please Your Honour:

I have the honour to submit herewith the Annual Report of the Pension Plan for the Employees of the Saskatchewan Workers' Compensation Board for the year ending December 31, 2013.

Don Morgan, Q.C.
Minister Responsible for the
Pension Plan for the Employees of the
Saskatchewan Workers' Compensation Board

The Honourable Don Morgan, Q.C.
Minister Responsible for the
Pension Plan for the Employees of the
Saskatchewan Workers' Compensation Board

Sir:

I have the honour to submit the Annual Report of the Pension Plan for the Employees of the Saskatchewan Workers' Compensation Board for the period January 1, 2013 to December 31, 2013.

Gord Dobrowolsky
Chairman
The Workers' Compensation Board

Pension Plan for the Employees of the Saskatchewan Workers' Compensation Board

Introduction

The primary purpose of the Plan is to provide pension benefits to employees in the event of retirement and secondarily in the event of termination of employment. The Plan also provides benefits to the dependents of deceased employees and superannuates in the event of death either prior, or subsequent, to retirement.

The Workers' Compensation Board is the Administrator of the Plan.

Operation of the Plan

This Plan is a Defined Benefit pension plan which provides a benefit based on an employee's highest earnings during specified periods taking into consideration their total years of service to a maximum of 35 years. Currently employees who are contributing to the Plan make contributions at a rate of 7 per cent, 8 per cent or 9 per cent, depending on their age when they entered the Plan. This contribution is offset by an amount equal to 1.8 per cent of their pensionable earnings between the Year's Basic Exemption and Year's Maximum Pensionable Earnings as defined on an annual basis by the Canada Pension Plan.

Any deficiencies in the Plan are paid out of the revenues of the Workers' Compensation Board.

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

	December 31, 2013	December 31, 2012
Active Employees	4	5
Inactive Members	1	1
Retired Employees *	76	76
Totals	**81**	**82**
*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 employees, termination of employment and death benefits – either due to death of an employee or a superannuate.

Contributions to the Plan

In accordance with the contribution rates outlined, employee contributions to the Plan during the year totaled $0. This compares to $9,221 for the previous fiscal year.

Retirement Summary

	December 31, 2013	December 31, 2012
Attained Age 65	-	-
Attained Age 60 – no reduction	-	-
Attained 35 years of Service	1	4
Age 55 and 30 years service – reduced pension	-	-
Ill Health Pensions	-	-
Deferred Allowances now payable	-	-
Early Retirement Allowances	-	-
Totals	**1**	**4**

Investment Performance

The Workers' Compensation Board (the Board) is responsible for holding in trust and investing the monies in the Plan. The Board has retained Greystone Capital 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 set out by the Board in their Investment Policy Statement for the Pension Plan for the Employees of the Saskatchewan Workers' Compensation Board. It is against these long-term investment performance objectives that the Board assesses the performance of the investment manager.

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 Composite CPMS CAP 10 Index	26%
US	S&P 500 US Stock Index	15%
Non-North American	MSCI EAFE Index	15%
Fixed Income Bonds	SCM Universe Bond Index	39%
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 December 31, 2013 has been:

	1-Year Return	Rolling 4 Year Average
Plan's Return	13.54%	7.33%
Target Return	10.98%	7.08%

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 Pension Plan for the Employees of the Saskatchewan Workers' Compensation Board is carried out in conjunction with similar plans administered by PEBA.

Changes to administrative processes will continue to be evaluated with the intent of identifying opportunities for improving customer service and becoming more responsive to the needs of the Board and the membership.

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 accordance with CPA Canada Handbook section 4600, Pension Plans. For matters not addressed in section 4600, International Financial Reporting Standards (IFRS) guidance has been implemented. Management uses internal controls and exercises its best judgment in order that the financial statements reflect fairly the financial position of the Plan.

The present value of pension obligations has been determined by an actuarial valuation. The actuaries' opinion follows. Actuarial valuation reports require management's best estimate assumptions about future events.

The financial statements have been audited by KPMG LLP, Chartered Accountants, whose report follows.

Regina, Saskatchewan
March 25, 2014

Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency

Actuaries' Opinion

The Segal Company Ltd. was retained by the Saskatchewan Workers' Compensation Board (the Board) to perform actuarial valuations of the assets and liabilities of the Pension Plan for the Employees of the Saskatchewan Workers' Compensation Board (the Plan) on an accounting basis as at December 31, 2012 and extrapolated to December 31, 2012 for inclusion in the Annual Report with respect to the Plan for the year ended December 31, 2013.

The valuation of the Plan's actuarial assets and liabilities were based on:

- Membership data provided by the Board as at December 31, 2012;
- Asset data provided by the Board as at December 31, 2012;
- Methods prescribed by the Canadian Institute of Chartered Accountants for pension plan financial statements; and
- Assumptions about future events (economic and demographic) that were developed by management and The Segal Company Ltd. and are considered as management's best estimate of these events.

While the actuarial assumptions used to estimate liabilities for the Plan's financial statements contained in the Annual Report represent management's best estimate of future events, and while in our opinion these assumptions are reasonable, the Plan's future experience will differ from the actuarial assumptions. Emerging experience differing from the assumptions will result in gains or losses that will be revealed in future valuations, and will affect the financial position of the Plan.

We have tested the data for reasonableness and consistency with prior valuations and in our opinion the data is sufficient and reliable for the purposes of the valuation. We also believe that the methods employed in the valuation and the assumptions used are, in aggregate, appropriate. Our opinions have been given and our valuation has been performed in accordance with accepted actuarial practice.

Phil Rivard, FSA, FCIA
The Segal Company Ltd.

January 31, 2014

Pension Plan for The Employees of The Saskatchewan Workers' Compensation Board

Financial Statements

Year Ended December 31, 2013

Independent Auditor's Report

To: The Members of the Legislative Assembly Province of Saskatchewan

We have audited the accompanying financial statements of the Pension Plan for the Employees of the Saskatchewan Workers' Compensation Board, which comprise the statement of financial position, as at December 31, 2013, the statements of changes in net assets available for benefits and changes in pension obligations for the year then ended and notes, comprising 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, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an 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 our 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, we consider 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Pension Plan for the Employees of the Saskatchewan Workers' Compensation Board as at December 31, 2013, 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.

KPMG LLP

Chartered Accountants
Regina, Canada
March 25, 2014

Pension Plan for the Employees of the Saskatchewan Workers' Compensation Board
Statement of Financial Position — **Statement 1**

As at December 31
(In thousands of dollars)

	2013	2012
ASSETS		
Investments (Note 5)		
Short-term investments	$ 1,589	$ 1,393
Bonds and debentures	13,815	14,270
Equities	9,078	8,739
Pooled equity funds	10,779	8,878
	35,261	33,280
Accrued investment income	105	108
Due from General Revenue Fund (Note 6)	524	131
Cash	35	185
Total assets	35,925	33,704
LIABILITIES		
Accounts payable and accrued liabilities	13	19
NET ASSETS AVAILABLE FOR BENEFITS	35,912	33,685
Pension obligations	35,140	39,097
Surplus (deficit)	$ 772	$ (5,412)

(See accompanying notes to the financial statements)

Approved by the Board and signed on their behalf on March 25, 2014:

Gord Dobrowolsky, Chairman

Karen Smith, Board Member

Walter Eberle, Board Member

Pension Plan for the Employees of the **Statement 2**
Saskatchewan Workers' Compensation Board
Statement of Changes in Net Assets Available for Benefits

Year ended December 31
(In thousands of dollars)

	2013	2012
INCREASE IN ASSETS		
Investment income		
Interest	$ 499	$ 501
Dividends – equities	224	215
Distributions – pooled funds	-	189
Other	1	2
	724	907
Increase in fair values of investments		
	3,653	1,729
Contributions		
Employee		
Employer (Note 7)	-	9
	426	71
Total increase in assets	4,803	2,716
DECREASE IN ASSETS		
Administration expenses (Note 12)	162	122
Realized losses on investments	-	133
Superannuation allowances	2,414	2,339
Total decrease in assets	2,576	2,594
Increase in net assets available for benefits	2,227	122
NET ASSETS AVAILABLE FOR BENEFITS, beginning of year	33,685	33,563
NET ASSETS AVAILABLE FOR BENEFITS, end of year	$ 35,912	$ 33,685

(See accompanying notes to the financial statements)

Pension Plan for the Employees of the Saskatchewan Workers' Compensation Board **Statement 3**

Statement of Changes in Pension Obligations

Year ended December 31
(In thousands of dollars)

	2013	**2012**
PENSION OBLIGATIONS, beginning of year	$ 39,097	$ 36,781
INCREASE IN PENSION OBLIGATIONS		
Interest accrued on obligations	1,421	1,608
Obligations accrued	4	117
Change in the discount rate assumption	-	2,930
	1,425	4,655
DECREASE IN PENSION OBLIGATIONS		
Obligations paid	2,414	2,339
Change in the discount rate assumption	2,968	-
	5,382	2,339
PENSION OBLIGATIONS, end of year	$ 35,140	$ 39,097

(See accompanying notes to the financial statements)

1. Description of the Plan

a) General

The Pension Plan for the Employees of The Saskatchewan Workers' Compensation Board (the Plan) is a defined benefit final average pension plan established under *The Workers' Compensation Board Pension Implementation Act*. This Plan replaces the Workers' Compensation Board Superannuation Plan (former plan). Membership is comprised of employees who were enrolled in the former plan on October 1, 1977 and who did not elect to transfer to the Public Employees Pension Plan prior to October 1, 1978. The description of the Plan is a summary only. For complete information reference should be made to the plan text.

b) Administration

The Workers' Compensation Board (WCB) administers the Plan. Day-to-day administration is provided by the Public Employees Benefits Agency (PEBA). The WCB has established a trust fund for the Plan and appointed RBC Investor Services as the Trustee.

c) Superannuation Plan

The Plan was established to accumulate contributions paid by employees and the employer, as well as any investment income.

Superannuation allowances and refunds of contributions together with interest are paid out of the Plan.

d) Funding Policy

Members contribute at the rate of 7 per cent, 8 per cent or 9 per cent of salary depending on their age at the date of the commencement with the Plan. Contributions are reduced by an amount equal to deemed Canada Pension Plan contributions.

The contributions required to be paid by the employer are calculated by applying a predetermined rate to the members' contributions.

e) Retirement

Normal retirement is at age 65. Members who retire may receive benefit payments earlier under the following conditions:

- At any age after 35 years of service,
- At age 60 with at least 20 years of service,
- At age 60 with between 15 years and 20 years of service with a reduced pension; or
- At age 55 with at least 30 years of service with a reduced pension.

f) Pension

The lifetime annual pension payable to a member is 2.0 per cent of the average salary received by the member during the five years of highest salary, multiplied by the total number of years of service. The maximum number of years of service is 35 years. At age 65, a member's pension is reduced due to integration with the Canada Pension Plan.

g) Income taxes

The Plan is a registered pension plan as defined in *The Income Tax Act* (Canada) and is not subject to income taxes. Superannuation allowances paid from the Plan are subject to source income tax deductions that are deducted by RBC Investor Services and remitted to Canada Revenue Agency.

2. Basis of Preparation

a) Statement of Compliance

The financial statements for the year ended December 31, 2013 have been prepared in accordance with CPA Canada Handbook section 4600, *Pension Plans.* For matters not addressed in section 4600, International Financial Reporting Standards (IFRS) guidance has been implemented.

b) Basis of Measurement

The financial statements have been prepared on the historical cost basis except for financial instruments which have been measured 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 noted.

3. Significant Accounting Policies

The following accounting policies are considered to be significant:

Basis of Accounting

These financial statements are prepared on a going-concern basis and present the financial position of the Plan as a separate entity independent of WCB 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.

Investments

Short-term investments, bonds and debentures, equities and pooled funds are recorded at fair value. The fair values of equities are determined based on the quoted market values, based on the latest bid prices. The fair value of pooled equity funds are based on the quoted market value of the underlying investments, based on latest bid prices. The fair value of short-term investments and bonds and debentures are based on model pricing techniques that effectively discount prospective cash flows to present value taking into consideration duration, credit quality and liquidity. Transactions are recorded as of the trade date.

Change in Fair Value of Investments

The change in fair value of investments reflects the current year's change in increase (decrease) in fair value of investments.

Investment Transactions and Income

Investment transactions are recorded on the trade date. Investment income, which is recorded on an accrual basis, includes interest income, dividends, pooled-fund distributions and net gains or losses from the sale of securities. Monetary items denominated in foreign currency are translated at the exchange rate in effect at year end. Gains and losses resulting from translations are included in the change in fair value of investments. Brokers' commission and other transaction costs are recognized in the statement of changes in net assets available for benefits.

Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for pension plans required management to make estimates and assumptions that affect the recorded amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the recorded amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the valuation of investments and pension obligations. Actual results could differ from these estimates.

4. Objectives, Policies, and Processes for Managing Capital

The Plan's capital consists of the investment assets managed under the authority of the Saskatchewan Workers' Compensation Board. The objective of the Plan is to meet the present and future pension obligations accumulated on behalf of the Plan's participants.

5. Investments

a) Short-term Investments

Short-term investments are comprised of T-Bills, notes and commercial paper with effective interest rates of 0.9 per cent to 1.2 per cent (2012 – 0.9 per cent to 1.2 per cent) and an average remaining term to maturity of 65 (2012 - 81) days. The Plan's investment policy states that investments must meet a minimum investment standard of "R-1" rating, as rated by a recognized credit rating service. Other than the Government of Canada no single issuer represents more than 27.9 per cent of the fair value (2012 – 27.8 per cent) of the short-term investment portfolio.

b) Bonds and Debentures

The Plan's investment policy states that bonds and debentures must meet a minimum quality standard of BBB as rated by a recognized credit rating service. No more than 15 per cent of the bond portfolio may be invested in BBB rated bonds. As at December 31, 2013, the Plan held 9.76 per cent (2012 – 8.50 per cent) of its portfolio in BBB bonds.

2013
(Thousands of $)

Years to Maturity	Federal	Provincial	Municipal	Corporate	Total	Yield to Maturity at Market	Coupon Rate
Under 5	$ 2,127	$ -	$ 668	$ 3,168	$ 5,963	1.3-5.6%	1.3-6.0%
5 – 10	943	1,778	-	1,183	3,904	2.7-6.1%	2.6-7.2%
Over 10	524	2,183	291	950	3,948	3.5-6.2%	3.4-8.3%
Fair Value	$ 3,594	$ 3,961	$ 959	$ 5,301	$13,815		

2012
(Thousands of $)

Years to Maturity	Federal	Provincial	Municipal	Corporate	Total	Yield to Maturity at Market	Coupon Rate
Under 5	$ 3,390	$ 484	$ 113	$ 2,759	$ 6,746	0.8-5.5%	0.8-6.0%
5 – 10	511	1,234	269	1,184	3,198	2.5-6.9%	2.7-11.0%
Over 10	518	2,365	59	1,384	4,326	3.0-5.9%	3.4-8.3%
Fair Value	$ 4,419	$ 4,083	$ 441	$ 5,327	$14,270		

Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

c) Equities

The Plan's equity investments are held as portfolio investments and are generally readily marketable. Investments are generally limited to stocks that are publicly traded on a recognized securities market. The Plan's equities include common shares that have no fixed maturity dates and are generally not directly exposed to interest rate risk. Dividends are generally declared on a quarterly basis. The average effective dividend rate is 2.51 per cent (2012 – 2.58 per cent).

The Plan's investment policy allows any single holding to represent no more than 10 per cent of the fair value of the related portfolio and any single holding to represent no more than 10 per cent of the common stock in any corporation.

d) Pooled-equity Funds

The Plan limits its investments in pooled-equity funds to 10 per cent of the market value of each fund. The Plan owns units in pooled-equity funds which have no fixed interest rate and whose return is based on the success of the fund manager. Exceptions to the 10 per cent limit are allowed if provision has been made to transfer securities in kind out of the pooled fund when assets are transferred out of the pooled fund.

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

	2013	2012
	(thousands of $)	
Global Equity Fund	$ 5,409	$ 4,459
US Equity Fund	5,370	4,419
	$10,779	$ 8,878

e) Fair Value Hierarchy

Fair value is best evidenced by an independent quoted market price for the same instrument in an active market. An active market is one where quoted prices are readily available, representing regularly occurring transactions. The determination of fair value requires judgment and is based on market information where available and appropriate. Fair value measurements are categorized into levels within a fair value hierarchy based on the nature of the inputs used in the valuation. The Plan's pooled equity funds and equities are measured at fair value using quoted market prices, which is considered level 1, the highest level of reliability of fair value. Short-term investments and bonds and debentures are considered level 2. During the year, no investments were transferred between levels.

6. Due from General Revenue Fund

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

The Plan's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis into the Plan's bank account using the Government's 30-day borrowing rate and the Plan's average daily bank account balance. The Government's average 30-day borrowing rate in 2013 was 1.05 per cent (2012 – 1.08 per cent).

7. Employer Contributions

As at January 1, 2013, the Board is no longer required to make annual contributions for the next three years to fund a solvency deficiency in the Plan (2012- $70,716).

8. Pension Obligations

Pension obligations are determined using the projected benefit method pro-rated on service and management's best estimate assumptions approved by the WCB of expected plan investment performance, discount rate, salary escalation, inflation rate, and post-retirement indexing rate and retirement ages of employees. The actual results may vary significantly from the long-term assumption used. The most recent triennial actuarial valuation was prepared as at December 31, 2012 and extrapolated to December 31, 2013 by The Segal Company, Ltd. The next valuation is due December 31, 2015.

The assumptions used in determining the actuarial value of pension obligations were:

	2013	**2012**
Discount rate	4.50%	3.75%
Salary escalation rate	3.25%	3.25%
Inflation rate	2.50%	2.50%
Remaining service life of active members in years (EARSL)	-	1

The pension obligations contain a provision for pension increases of the lesser of 2.5 per cent and 50 per cent of the rate of increase, if any, in the year-over-year increase in the Consumer Price Index in the 12-month period ending September 30 each year.

The discount rate selected is based upon the rate of return that would be obtained in a portfolio of high quality corporate bonds with cash flows matching the anticipated duration of the pension obligations. During the current year the plan changed the discount rate being used based upon changes to market interest rates.

The following illustrates the effect of changing certain assumptions:

	Long Term Assumptions							
	Inflation*		Salary		Discount Rate		Post Retirement Indexing	
	+ 1.0%	- 1.0%	+ 1.0%	- 1.0%	+ 1.0%	- 1.0%	+ 0.25%	- 0.25%
Increase (decrease) in liability	(4.56%)	5.03%	0.00%	0.00%	(9.50%)	11.40%	2.86%	(2.74%)

* A change in the inflation rate of 1 per cent has a corresponding change in the discount rate of 1 per cent, in the salary scale of 1 per cent and in the post retirement indexing of 0.5 per cent.

If there are insufficient funds in the Plan to pay pension obligations, the WCB is obligated to pay any such deficiency to the Plan.

9. 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 approved annually by the Board. 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.

The Board reviews regular compliance reports from its investment managers as to their compliance with the investment policy. The Board also reviews regular compliance reports from the custodian as to the investment manager's compliance with the investment policy.

Credit risk

The Plan's credit risk arises primarily from two distinct sources: accounts receivable and certain investments. The maximum credit risk to which it is exposed at December 31 is limited to the carrying value of the financial assets summarized as follows:

	2013	2012
	(thousands of $)	
Cash	$ 35	$ 185
Receivables	105	108
Fixed income investments[1]	15,404	15,663
Due from the General Revenue Fund	524	131

[1]Includes short-term investments, and bonds and debentures

Accounts receivable is primarily made up of accrued investment income. Accrued investment income is received on the next scheduled payment date, generally either annually or semi-annually.

Credit risk within investments is primarily related to short-term investments, and bonds and debentures. It is managed through the investment policy that limits debt instruments to those of high credit quality (minimum rating for bonds, BBB, and for short-term investments is R-1) along with limits to the maximum notional amount of exposure with respect to any one issuer.

Credit rating for bonds and debentures are as follows:

	2013		2012	
Credit Rating	Fair Value (thousands of $)	Makeup of Portfolio (%)	Fair Value (thousands of $)	Makeup of Portfolio (%)
AAA	$ 5,087	36.8	$ 6,700	47.0
AA	4,722	34.2	4,310	30.2
AH	140	1.0	-	-
A	2,518	18.2	2,047	14.3
BBB	1,348	9.8	1,213	8.5
Total	$13,815	100.0	$14,270	100.0

Within bonds and debentures, there are no holdings from one issuer, other than the Government of Canada or a Canadian province, over 4.5 per cent (2012 –5.7 per cent) of the market value of the combined bonds and debentures and short-term investment portfolios. No one holding of a province is over 8.6 per cent (2012 – 5.1 per cent) of the market value of the bond and debenture portfolio.

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, including short-term investments and bonds and debentures. 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 surplus at December 31, 2013 by $0.94 million (2012 - $0.90 million) representing 6.8 per cent (2012 – 6.3 per cent) of the $13.82 million (2012 - $14.3 million) fair value of bonds and debentures.

Foreign Exchange Risk

The Plan is subject to changes in the U.S./Canadian dollar exchange rate for U.S. denominated investments. Also, the Plan is exposed to EAFE (Europe, Australasia and Far East) currencies through its investment in a global equity pooled fund. Exposure to both U.S. and Non-North American pooled equity funds and equities is limited to a combined maximum of 32 per cent of the market value of the total investment portfolio. At December 31, 2013, the Plan's exposure to U.S. equities was 15.3 per cent (2012 – 13.3 per cent) and its exposure to a Non-North American pooled equity fund was 15.2 per cent (2012 – 13.4 per cent) for a total exposure of 30.5 per cent (2012 – 26.7 per cent).

At December 31, 2013, a 10 per cent change in the Canadian dollar versus U.S. dollar exchange rate would result in approximately a $0.5 million (2012 - $0.4 million) change in net assets available for benefits and surplus. A 10 per cent change in the Canadian dollar versus the EAFE currencies would result in approximately a $0.5 million (2012 – $0.4 million) change in net assets available for benefits and surplus.

Equity Price Risk

The Plan is exposed to changes in equity prices in Canadian, U.S. and EAFE markets. Equities and pooled equity funds comprise 56.3 per cent (2012 – 52.9 per cent) of the carrying value of the Plan's total investments. Individual stock holdings are diversified by geography, industry type and corporate entity. No one investee or related group of investees represents greater than 8.4 per cent (2012 – 8.1 per cent) of the market value of the Plan's common share portfolio. As well, no one holding represents more than 10 per cent (2012 – 10 per cent) of the voting shares of any corporation.

The following table indicates the approximate change that could be anticipated to both the increase in net assets available for benefits and surplus based on changes in the Plan's benchmark indices at December 31, 2013:

	(Change in thousands of $)	
	10% increase	10% decrease
S&P/TSX Composite Index	$ 908	$ (908)
S&P 500 Index	541	(541)
MSCI EAFE Index	537	(537)

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.

10. 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 influence by the Government of Saskatchewan. As at December 31, 2013, the Plan held $290,516 (2012 – $401,351) in Government of Saskatchewan bonds with net earnings of $14,672 (2012 - $14,073). Certain administration expenses are paid by the Plan to the Public Employees Benefits Agency Revolving Fund based upon agreed exchange amounts. The amount is identified in Note 12. Included in accounts payable is an amount of $4,707 (2012 - $2,901) payable to the Public Employees Benefits Agency Revolving Fund.

11. Investment Performance

The investment manager makes day-to-day decisions on whether to buy or sell investments in order to achieve the long-term performance objectives set by the Board. The Board 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:

	Annual Return		**Rolling Four-Year Average Annual Return**	
	2013	**2012**	**2013**	**2012**
Plan's actual rate of return	13.54%	7.68%	7.33%	7.37%
Target rate of return	10.98%	7.09%	7.08%	7.69%

The annual returns are before deducting investment expenses.

12. Administration Expenses

	2013	**2012**
	(Thousands of $)	
Administration - PEBA Revolving Fund	$ 88	$ 49
Custodial fees - RBC Investor Services Trust	22	23
Investment management fees – Greystone	52	50
	$ 162	$ 122

13. Fair Value of Financial Assets and Financial Liabilities

For the following financial assets and liabilities the carrying amounts approximate fair value due to their immediate or short-term nature:

a) Cash;
b) Accrued investment income;
c) Due from General Revenue Fund; and
d) Accounts payable and accrued liabilities.

Fair values of investments are disclosed in Note 5.