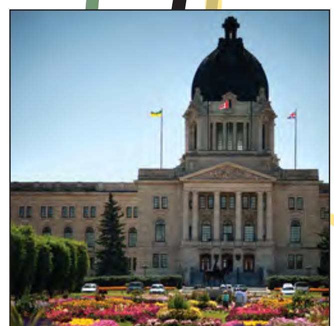
Public Service Superannuation Board



2012-13
ANNUAL REPORT

Government of Saskatchewan

Table of Contents

This annual report is available in electronic format at **www.peba.gov.sk.ca**

Letters of Transmittal

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

May it Please Your Honour:

I respectfully submit the Annual Report of the Public Service Superannuation Board for the fiscal year ending March 31, 2013.

Ken Krawetz
Minister in Charge
Public Service Superannuation Board

The Honourable Ken Krawetz
Minister in Charge
Public Service Superannuation Board

Sir:

On behalf of the Public Service Superannuation Board, I have the honour to present herewith the eighty-sixth Annual Report of the Public Service Superannuation Board for the fiscal year ended March 31, 2013.

Brian Smith
Board Chair

Introduction

The primary purpose of the Public Service Superannuation Board (the Board) is to provide pension benefits to employees in the event of retirement and secondarily in the event of termination of employment. The Public Service Superannuation Plan (PSSP, 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 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 seven per cent, eight per cent or nine 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 the Year's Maximum Pensionable Earnings as defined on an annual basis by the Canada Pension Plan.

The Plan is governed by *The Public Service Superannuation Act*, which came into being on May 1, 1927.

The Act also governs employees of the Anti-Tuberculosis League and the Saskatchewan Transportation Company.

The Plan was closed to new members as of October 1, 1977.

Public Service Superannuation Board

The Board, which consists of three members appointed by the Lieutenant Governor in Council, is responsible for the administration of *The Public Service Superannuation Act*. At March 31, 2013, the Board was composed of three members (listed in Table 1.1).

Public Service Superannuation Board Members	
Brian Smith	Chair
Nathan Hagen	Member
Barry Nowoselsky	Member

Table 1.1

Members of the Board receive no compensation for the performance of their roles as Board members. They are remunerated for reasonable expenses for attending Board meetings and other functions in their capacity as Board members.

Administration

The Board is ultimately responsible for the Plan's administration, communication and investment activities. To discharge these responsibilities, the Board uses the services of various organizations. The Public Employees Benefits Agency (PEBA) has responsibility for the operation, administration and management of several superannuation plans and other employee benefits programs. PEBA provides the following administrative services for the Public Service Superannuation Plan:

- Pension estimates on retirement, termination, death and breakdown of spousal relationships;
- Annual member statements by the end of June each year;
- Calculation of termination, pension, and death benefits;
- Accounting for all investment transactions;
- Collection of members' and employers' contributions; and
- Executive management services to the Board.

PEBA is responsible for ensuring that all transactions are made in accordance with *The Public Service Superannuation Act, The Superannuation (Supplementary Provisions) Act*, and their related regulations.

The Board retains Greystone Managed Investments Inc. as the investment manager for the Saskatchewan Transportation Company Employees Superannuation Fund. Aon Hewitt is retained as the investment consultant for the Fund.

Mission

The Board's mission as the Plan's administrator is to manage the Plan solely in the best interests of the members.

Operational Goals and Objectives

In 2012, the Board adopted Operational Goals and Objectives for the administration of the Plan.

Annually, the results of the accomplishment of the objectives set for the Plan is reported to the Board.

The Operational Goals and Objectives is comprised of three goals:

1. **Financial Management**

   The Board provides sound financial management of the Plan.

2. **Service Delivery and Communications**

   The Board provides excellent service to the members of the Public Service Superannuation Plan.

3. **Performance Measurement**

   The Board evaluates the performance of the Plan's service providers.

Operational Goals and Objectives

1. Financial Management

The Board provides sound financial management of the Plan.

The immediate focus of service delivery is on the remaining non-retired active members of the Plan until such time as all or substantially all of the active members are retired. The primary focus will then shift to service delivery for retired members.

Objectives

- The Board ensures the assets of the Saskatchewan Transportation Company Employees Superannuation Fund are invested appropriately by reviewing the Plan's Statement of Investment Policies and Goals (SIP&G) annually.
- The Board carries out an actuarial valuation of Public Service Superannuation Plan at least every three years.
- The Board annually reviews and approves the operating budget for the Plan and monitors it quarterly.

Activities Accomplished in 2012-2013

- The Board reviewed changes to its SIP&G that address a long term strategy for investment of the Saskatchewan Transportation Company Superannuation Fund's assets at its November meeting. The SIP&G was approved by the Board at its meeting on March 22, 2013.
- Independent confirmation of investment manager compliance with the Board's SIP&G was reported to the Board in June, August and November 2012, and in March 2013.
- The Board received the actuarial valuations for the Public Service, Saskatchewan Transportation Company and Anti-Tuberculosis League Employees Superannuation Plans for the year ending March 31, 2012.
- The Board approved its 2012-2013 budget at its meeting on March 21, 2012.
- The Board received quarterly updates on its budget for the periods ending June 30, September 30 and December 31, 2012, and for the period ending March 31, 2013.

Operational Goals and Objectives

2. Service Delivery and Communications

The Board provides excellent service to the members of the Public Service Superannuation Plan.

Objectives

- The Board administers the Plan in compliance with *The Public Service Superannuation Act*, *The Superannuation (Supplementary Provisions) Act*, and the *Income Tax Act* (Canada).
- Plan members have access to the information they require to make the decisions about their retirement.
- The Board tables an annual report for the Plan in accordance with *The Tabling of Documents Act, 1991*.

Activities Accomplished in 2012-2013

- In its opinion, the Provincial Auditor of Saskatchewan stated, for the year ended March 31, 2012:
  - The Board's financial statements were reliable;
  - The Board had adequate rules and procedures to safeguard public resources; and
  - The Board complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing and investing.
- The member booklet is available on the PEBA website.
- Retire*With*Ease retirement planning workshops were held throughout Saskatchewan in 2012-2013. These workshops are available to Plan members who wish to attend these sessions.
- The Plan's website is reviewed regularly and items are added or amended as required.
- Annual member statements were issued on June 8, 2012.
- The Board's 2011-2012 Annual Report was tabled in the Saskatchewan Legislature on July 27, 2012 prior to the deadline for tabling.
- A review of the Board's governance structure was undertaken in the summer of 2012. The recommendations were reported to and approved by the Minister of Finance. The final report is available on the Public Employees Benefits Agency website.

Operational Goals and Objectives

3. Performance Measurement

The Board evaluates the performance of the Plan's service providers.

Objectives

- The Board reviews the performance of the Plan's investment manager two times a year, including compliance with the Plan's SIP&G.
- The Board evaluates the performance of the Plan's actuary and investment consultant annually.
- Administration performance is reported to the Board on a quarterly basis.

Activities Accomplished in 2012-2013

- The Board reviewed the investment manager performance report at its meetings on June 21, 2012 and November 30, 2012.
- The Board reviewed the performance of its actuary on June 21, 2012 and the performance of its investment consultant on March 22, 2013.
- The Board received quarterly reports on administration performance from the Public Employees Benefits Agency for the periods ending June 30, September 30, and December 31, 2012, and the period ending March 31, 2013.

Investments

Investment Performance

The Minister of Finance is responsible for holding in trust and investing the monies in the Saskatchewan Transportation Company Employees Superannuation Fund (the Fund). The Minister has delegated these responsibilities to the Public Service Superannuation Board (the Board), who in turn have retained the services of Greystone Managed Investments 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 performance goals set out by the Board in their Statement of Investment Policies and Goals (SIP&G) for the Fund.

In November 2012, the Board approved the transition of Plan assets from a Balanced Fund mandate to a Short-term mandate.

The Fund's long-term investment performance objective is to outperform the benchmark portfolio which is the DEX 91 Day T-Bill Index.

The objective of the Fund 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.

It is against this objective that the Board assesses the performance of the investment manager.

The performance history of the Fund as of March 31, 2013 is shown in *Table 1.2.*

Fund Performance		
	1-Year Return	**Rolling 4-Year Average**
Fund Return	4.5%	7.8%
Benchmark Return	6.7%	8.3%

Table 1.2

Plan Administration

The Board has delegated the day-to-day administration of the Plan and management of its assets to PEBA.

PEBA provides all services required to operate, administer and manage the Plan in a manner consistent with and according to all statutory provisions and regulations that apply to the Plan. PEBA reports measurement against standards to the Board quarterly. *Table 1.3* provides measurement results for the 2012-2013 year.

PEBA provides Senior Executive Officer services and Executive Secretary services to the Board.

In 2012-2013, the Board paid PEBA $1,234,332 for administrative services.

Any deficiencies in the Plan are paid out of the General Revenue Fund and are the responsibility of the Government of Saskatchewan. For the most part the Plan is unfunded, although some monies are held in the Saskatchewan Transportation Company Employees Superannuation Fund.

PEBA Service Standards April 1, 2012 to March 31, 2013

Task	Completed	Number that Meet or Exceed Standard	% that Meet or Exceed Standard	Standard* (Days)
Statement on termination	0	0	n/a	60
Payments	0	0	n/a	14
Retirements	145	138	95.2	30
Deaths	261	254	97.3	30
Pension estimates	163	151	92.6	60
Spousal breakdown calculations	0	0	n/a	45
Reciprocal transfer values	0	0	n/a	30
Purchase of service	7	6	85.7	30
General inquiries	0	0	n/a	14
Total	576	549	95.3	-

* *Standard is set by agreement between the Board and PEBA.*

Table 1.3

Plan Expenditures and Statistics

Benefit Payments

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.

Annual pensions are calculated as two per cent of a member's average salary during the five years of highest salary, multiplied by the total number of years of service to a maximum of 35 years. At age 65, members' pensions are reduced due to integration with the Canada Pension Plan.

In the year ended March 31, 2013, PSSP paid a total of $133.1 million in benefits to pensioners, including retired employees of the Saskatchewan Transportation Company and The Anti-Tuberculosis League.

Contributions to the Plan

In accordance with the contribution schedules, employee contributions to the Plan during the year totaled $390,000. This compares to $940,000 as of the previous fiscal year end. In addition, employer contributions were made to the Plan during the year, totaling $57,000, a decrease from $211,000 the previous year.

Table 1.4 shows the number of active and retired employees in the Plan as of the current and prior year-ends.

Active and Retired Employees						
	March 31, 2013			March 31, 2012		
	PSSP	**Anti-TB**	**STC**	**PSSP**	**Anti-TB**	**STC**
Active Employees	293	0	2	431	0	3
Inactive Employees	68	1	5	85	2	5
Retired Employees*	5,668	43	111	5,710	42	114
	6,029	**44**	**118**	**6,226**	**44**	**122**

* Includes superannuates, plus their dependants now in receipt of a survivor pension

Table 1.4

These tables are summaries that show the total number of death benefits paid on behalf of superannuates who died during the year and benefits upon termination of employment other than retirement.

Death Benefit Summary		
	March 31, 2013	**March 31, 2012**
Superannuate Survivor Pension	81	83
Superannuate Cash Benefit	0	2
Totals	**81**	**85**

Table 1.5

Termination of Employment Summary		
	March 31, 2013	**March 31, 2012**
Cancel Deferred	1	1
Termination of Membership	8	3
Reciprocal Transfers	-	-
Totals	**9**	**4**

Table 1.6

Plan Expenditures and Statistics

Table 1.8 summarizes all employees who retired during the year, including employees of the Saskatchewan Transportation Company and The Anti-Tuberculosis League.

The table is divided by category of retirement and includes employees who terminated and elected retirement at a future date, as well as those who died during the year.

Employee Retirement Summary		
	March 31, 2013	**March 31, 2012**
Attained Age 65	0	4
Attained Age 60 - with reduction	0	-
Attained Age 60 - no reduction	3	8
Attained 35 years of Service	127	183
Age 55 and 30 years service - reduced pension	0	0
Ill Health Pension	-	-
Granted Deferred Allowance	-	-
Deferred Allowance now Payable	6	5
Early Retirement Allowance	-	-
Deceased Employees	3	6
Totals	**139**	**206**

Table 1.7

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 and administration of the Funds and fund assets.

The financial statements which follow have been prepared by management in conformity with Canadian accounting standards for pension plans as outlined in the Canadian Institute of Chartered Accountants (CICA) Handbook Section 4600, Pension Plans. For matters not addressed in Section 4600, International Financial Reporting Standards (IFRS) have been followed. Management uses internal controls and exercises its best judgment in order that the financial statements fairly reflect the financial position of the Plan.

The pension obligations are determined by an actuarial valuation. Actuarial valuation reports require best judgment in order that the financial statements reflect fairly the financial position of the Plan.

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

Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency

Regina, Saskatchewan
June 25, 2013

Actuaries' Opinion

Aon Hewitt was retained by the Public Service Superannuation Board (the Board) to perform actuarial valuations of the pension obligations of the Public Service Superannuation Plan, including the Public Service Superannuation Fund, the Anti-Tuberculosis League Employees Superannuation Fund, and the Saskatchewan Transportation Company Employees Superannuation Fund (the Plan) on an accounting basis as at December 31, 2011. Aon Hewitt was further retained to extrapolate the results of this valuation to March 31, 2013.

The actuarial valuations and extrapolations were based on:

- Membership data provided by the Board as at December 31, 2011;
- Asset data provided by the Board as at March 31, 2013;
- Methods prescribed by The Canadian Institute of Chartered Accountants for pension plan financial statements; and
- Assumptions about future events (economic and demographic) which were developed by management and Aon Hewitt and are considered as management's best estimate of these events.

While the actuarial assumptions used to estimate the present value of the pension obligations 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 not unreasonable, 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 are sufficient and reliable for the purposes of the valuations and extrapolations. Our opinions have been given and our valuations and extrapolations have been performed in accordance with accepted actuarial practice.

David R. Larsen, FSA, FCIA
Aon Hewitt

June 25, 2013

Public Service Superannuation Board

Public Service Superannuation Plan

Financial Statements

Year Ended March 31, 2013

PROVINCIAL AUDITOR
of Saskatchewan

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Public Service Superannuation Plan, which comprise the Statement of Financial Position as at March 31, 2013 and the Statement of Changes in Net Assets Available for Benefits and Changes in Pension Obligations for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans for Treasury Board's approval and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Public Service Superannuation Plan as at March 31, 2013 and the changes in net assets available for benefits and changes in pension obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

Bonnie Lysyk

Regina, Saskatchewan
June 25, 2013

Bonnie Lysyk, MBA, CA
Provincial Auditor

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Public Service Superannuation Plan **Statement 1**
Statement of Financial Position

As At March 31

	Anti-Tuberculosis League Employees Superannuation Fund (000's)		Sask. Transportation Company Employees Superannuation Fund (000's)		Public Service Superannuation Fund (000's)		Total (000's)	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
ASSETS								
INVESTMENTS: (Note 4)								
Pooled funds	$ -	$ -	$ 3,257	$ 5,184	$ -	$ -	$ 3,257	$ 5,184
RECEIVABLES:								
Due from General Revenue Fund (Note 6)	-	1	8	3	-	-	8	4
Deficiency contribution due from GRF (Note 7)	3	8	-	-	594	281	597	289
Employees' contributions	-	-	-	-	2	5	2	5
Employers' contributions	-	-	-	-	1	3	1	3
Other receivables	-	-	-	-	6	-	6	-
Total assets	3	9	3,265	5,187	603	289	3,871	5,485
LIABILITIES								
Accounts payable and accrued liabilities	3	9	8	19	603	289	614	317
Total liabilities	3	9	8	19	603	289	614	317
NET ASSETS AVAILABLE FOR BENEFITS (Statement 2)	-	-	3,257	5,168	-	-	3,257	5,168
Pension obligations (Statement 3, Note 5)	2,639	2,775	26,646	25,465	2,155,898	2,085,497	2,185,183	2,113,737
Deficit	$2,639	$2,775	$23,389	$20,297	$2,155,898	$2,085,497	$2,181,926	$2,108,569

(See accompanying notes to the financial statements)

Public Service Superannuation Plan
Statement of Changes in Net Assets Available for Benefits

Statement 2

Year Ended March 31

	Anti-Tuberculosis League Employees Superannuation Fund (000's)		Sask. Transportation Company Employees Superannuation Fund (000's)		Public Service Superannuation Fund (000's)		Total (000's)	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
INCREASE IN ASSETS:								
Investment income								
Distributions-Pooled Funds	$ -	$ -	$ 128	$ 203	$ -	$ -	$ 128	$ 203
	-	-	128	203	-	-	128	203
Increase in market value (Note 4)	-	-	45	20	-	-	45	20
Contributions								
Employees' (Note 13)	-	-	2	3	388	937	390	940
Employers' (Note 13)	-	-	2	3	55	208	57	211
	-	-	4	6	443	1,145	447	1,151
Deficiency contribution from General Revenue Fund (Note 7)	379	373	-	-	131,156	125,315	131,535	125,688
Total increase in assets	379	373	177	229	131,599	126,460	132,155	127,062
DECREASE IN ASSETS:								
Administration expense (Note 8)	13	19	48	61	-	-	61	80
Superannuation allowances	366	354	2,040	2,043	130,673	125,893	133,079	128,290
Refunds and transfers (Note 13)	-	-	-	-	926	567	926	567
Total decrease in assets	379	373	2,088	2,104	131,599	126,460	134,066	128,937
Net decrease in assets	-	-	(1,911)	(1,875)	-	-	(1,911)	(1,875)
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	-	-	5,168	7,043	-	-	5,168	7,043
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR (Statement 1)	$ -	$ -	$ 3,257	$5,168	$ -	$ -	$ 3,257	$5,168

(See accompanying notes to the financial statements)

Public Service Superannuation Plan
Statement of Changes in Pension Obligations

Statement 3

Year Ended March 31

	Anti-Tuberculosis League Employees Superannuation Fund (000's)		Sask. Transportation Company Employees Superannuation Fund (000's)		Public Service Superannuation Fund (000's)		Total (000's)	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
PENSION OBLIGATIONS, BEGINNING OF YEAR	$2,775	$2,957	$25,465	$25,286	$2,085,497	$1,910,768	$2,113,737	$1,939,011
INCREASE IN PENSION OBLIGATIONS								
Change in assumptions (Note 5)	156	170	2,045	1,729	139,252	231,473	141,453	233,372
Interest on pension obligations	93	131	1,345	1,396	72,791	87,047	74,229	88,574
Pension obligations accrued	-	-	12	16	2,477	5,002	2,489	5,018
	249	301	3,402	3,141	214,520	323,522	218,171	326,964
DECREASE IN PENSION OBLIGATIONS								
Pension obligations paid	366	354	2,040	2,043	131,599	126,456	134,005	128,853
Net experience gain (Note 5)	19	129	181	919	12,520	22,337	12,720	23,385
	385	483	2,221	2,962	144,119	148,793	146,725	152,238
PENSION OBLIGATIONS, END OF YEAR (Statement 1, Note 5)	$2,639	$2,775	$26,646	$25,465	$2,155,898	$2,085,497	$2,185,183	$2,113,737

(See accompanying notes to the financial statements)

March 31, 2013

1. Description of the Plan

a) General

The Public Service Superannuation Board (Board) administers the funds that make up the Public Service Superannuation Plan (Plan). Day-to-day administration is provided by the Public Employees Benefits Agency (PEBA).

The Plan is a defined benefit final average pension plan. Plan details are contained in *The Public Service Superannuation Act* and *The Superannuation (Supplementary Provisions) Act*. The three main components of the Plan are described as follows:

i) Anti-Tuberculosis League Employees Superannuation Fund

The Anti-Tuberculosis League Employees Superannuation Fund (AntiTB Fund) was established under provisions of an amendment to *The Public Service Superannuation Act*, effective April 1, 1979.

ii) Saskatchewan Transportation Company Employees Superannuation Fund

The Saskatchewan Transportation Company Employees Superannuation Fund (STC Fund) was established by an amendment to *The Public Service Superannuation Act*, effective April 1, 1981. The STC Fund accumulates contributions of employees of the Saskatchewan Transportation Company as of March 31, 1981 and any investment income.

iii) Public Service Superannuation Fund

Members of the Public Service Superannuation Fund (PSSF) include those public service employees who were employed prior to October 1, 1977 and did not elect to transfer to the Public Employees Pension Plan prior to October 1, 1978.

b) Funding Policy

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

Certain employers are required to match employees' contributions in respect of current service.

c) Retirement

Normal retirement is at age 65. Members may retire earlier under certain conditions.

d) Pensions

Annual pensions are calculated as 2% of a member's average salary during the five years of highest salary, multiplied by the total number of years of service to a maximum of 35. At age 65, members' pensions are reduced due to integration with the Canada Pension Plan.

e) **Income Tax**

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

2. Basis of Preparation

a) **Statement of compliance**

The financial statements for the year ended March 31, 2013 have been prepared in accordance with Canadian accounting standards for pension plans as outlined in the Canadian Institute of Chartered Accountants (CICA) Handbook Section 4600, *Pension Plans*. For matters not addressed in Section 4600, International Financial Reporting Standards (IFRS) have been followed.

These financial statements were authorized and issued by the Board on June 25, 2013.

b) **Basis of measurement**

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

c) **Functional and presentation currency**

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

3. Significant Accounting Policies

The significant accounting policies are as follows:

a) **Basis of Accounting**

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

b) **Investments**

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

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

c) **Investment Transactions and Income**

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

d) **Use of estimates**

The preparation of financial statements in accordance with Canadian accounting standards for pension plans requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and changes in estimates are recorded in the accounting period in which they are determined. The most significant estimation process is related to the actuarial determination of the pension obligation (Note 5).

e) **Future Accounting Changes**

A number of new standards, amendments to standards and interpretations which become effective for annual periods beginning on or after January 1, 2013 and which may have an impact on the Plan include: IFRS 9, Financial Instruments; IFRS 12, Disclosure of interests in Other Entities; and, IFRS 13, Fair Value Measurement. The extent of the impact on adoption of these standards is not known at this time, but is not expected to be material.

4. Investments

The Saskatchewan Transportation Company Employees Superannuation Fund currently has all its investments in the Greystone Money Market Fund due to the short term duration of the assets remaining in the Fund. The STC Fund's pooled funds are comprised of the following:

2013 (in thousands)

	Units Held	% of Total Units Outstanding	Market Value	Investment Income and Change in Market Value
Greystone Fixed Income Fund	-	-	$ -	$ 86
Greystone Canadian Equity Fund	-	-	-	28
Greystone EAFE Plus Fund	-	-	-	-
Greystone EAFE Growth Fund	-	-	-	28
Greystone EAFE Quantitative Fund	-	-	-	-
Greystone US Equity Fund	-	-	-	22
Greystone Money Market Fund	326	1.00	3,257	9
			$3,257	$ 173

2012 (in thousands)

	Units Held	% of Total Units Outstanding	Market Value	Investment Income and Change in Market Value
Greystone Fixed Income Fund	267	0.44	$2,877	$ 356
Greystone Canadian Equity Fund	36	0.04	796	(150)
Greystone EAFE Plus Fund	-	-	-	(91)
Greystone EAFE Growth Fund	61	0.03	541	60
Greystone EAFE Quantitative Fund	-	-	-	(7)
Greystone US Equity Fund	48	0.30	567	51
Greystone Money Market Fund	40	0.12	403	4
			$5,184	$ 223

As at March 31, 2013 the STC Fund held no investments that may use derivative financial instruments.

Fair Value

The Saskatchewan Transportation Company Employees Superannuation Fund has classified its required fair valued financial instrument holdings using a hierarchy that reflects the significance of the inputs used in determining their measurements.

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

The Plan presently holds only financial instruments that are classified as Level 2. There were no items transferred between levels in 2013 or 2012.

5. Pension Obligations

Public Service Superannuation Fund:

An actuarial valuation of the Public Service Superannuation Fund was performed as at December 31, 2011 and extrapolated to March 31, 2013 by Aon Hewitt. The actuary used the projected benefit method prorated on service to determine the actuarial present value of pension obligations in respect of service to the valuation date. The next triennial valuation is due December 31, 2014.

The pension obligation is based on a number of assumptions about future events including: discount rate, rate of salary increase, mortality, retirement rates and inflation. The actual rates may vary significantly from the long-term assumptions used. There has been a change in the discount rate since the previous extrapolation done in 2012. The discount rate is based on the yield on Saskatchewan provincial government bonds with cash flows that match the timing and amount of expected benefit payments. This yield has decreased from 3.60% to 3.00%, resulting in an increase in the pension obligations.

Significant long-term actuarial assumptions used in determining the pension obligations were:

	2013	**2012**
Salary escalation rate	3.50%	3.50%
Inflation rate	2.50%	2.50%
Discount rate	3.00%	3.60%
Mortality table	1994 UPM with generational projection	1994 UPM with generational projection
Indexing	1.75% (70% CPI)	1.75% (70% CPI)

The net experience gain is due to indexing at April 1, 2013 being less than expected.

The following illustrates the effect on the pension obligation of changing the estimated rates of inflation, salary escalation and discount rate.

	Long-term Assumptions					
Effect on Pension	**Inflation***		**Salary**		**Discount Rate**	
Obligations	3.5%	1.5%	4.5%	2.5%	4.0%	2.0%
(Decrease) increase in obligation	(3.5%)	3.7%	0.01%	(0.01%)	(10.6%)	12.9%

* A change in the inflation rate of 1% has a corresponding change in the discount rate and salary scale of 1%.

Anti-Tuberculosis League Employees Superannuation Fund:

An actuarial valuation of the Anti-Tuberculosis League Employees Superannuation Fund was performed as at December 31, 2011 and extrapolated to March 31, 2013 by Aon Hewitt. The actuary used the projected benefit method prorated on service to determine the actuarial present value of pension obligations in respect of service to the valuation date. The next triennial valuation is due December 31, 2014.

The pension obligation is based on a number of assumptions about future events including: discount rate, mortality and inflation. The actual rates may vary significantly from the long-term assumptions used. There has been a change in the discount rate since the previous extrapolation done in 2012. The discount rate is based on the yield on Saskatchewan provincial government bonds with cash flows that match the timing and amount of expected benefit payments. This yield has decreased from 3.60% to 2.70%, resulting in an increase in the pension obligations.

Significant long-term actuarial assumptions used in determining the pension obligations were:

	2013	**2012**
Inflation rate	2.50%	2.50%
Discount rate	2.70%	3.60%
Mortality table	1994 UPM with generational projection	1994 UPM with generational projection
Indexing	1.75% (70% CPI)	1.75% (70% CPI)

The net experience gain is due to indexing at April 1, 2013 being less than expected.

The following illustrates the effect on the pension obligations of changing the estimated rates of inflation and discount rate.

	Long-term Assumptions			
Effect on Pension	**Inflation***		**Discount Rate**	
Obligations	3.5%	1.5%	3.7%	1.7%
(Decrease) increase in obligation	(2.7%)	2.8%	(6.6%)	7.5%

* A change of 1% in the inflation rate has a corresponding change in the discount rate of 1%.

Saskatchewan Transportation Company Employees Superannuation Fund:

An actuarial valuation of the Saskatchewan Transportation Company Employees Superannuation Fund was performed as at December 31, 2011 and extrapolated to March 31, 2013 by Aon Hewitt. The actuary used the projected benefit method prorated on service to determine the actuarial present value of pension obligations in respect of service to the valuation date. The next triennial valuation is due December 31, 2014.

The pension obligation is based on a number of assumptions about future events including: discount rate, rate of salary increase, mortality, retirement rates and inflation. The actual rates may vary significantly from the long-term assumptions used. There has been a change in the discount rate since the previous extrapolation done in 2012. The ultimate discount rate is based on the yield on Saskatchewan provincial government bonds with cash flows that match the timing and amount of expected benefit payments after the exhaustion of the invested assets of the plan, which are expected to earn 5.50% per annum. This yield has decreased from 3.70% to 3.00%, resulting in an increase in the pension obligations.

Significant long-term actuarial assumptions used in determining the pension obligations were:

	2013	**2012**
Salary escalation rate	3.50%	3.50%
Inflation rate	2.50%	2.50%
Discount rate	5.50% for 2 years, 3.00% thereafter	5.50% for 3 years, 3.70% thereafter
Mortality table	1994 UPM with generational projection	1994 UPM with generational projection
Indexing	1.75% (70% CPI)	1.75% (70% CPI)

The net experience gain is due to indexing as at April 1, 2013 being less than expected.

The following illustrates the effect on the pension obligations of changing the estimated rates of inflation, salary escalation and discount rate.

	Long-term Assumptions					
	Inflation*		**Salary**		**Discount Rate**	
Effect on Pension Obligations	3.5%	1.5%	4.5%	2.5%	6.50% for 2 years, 4.0% thereafter	4.50% for 2 years, 2.0% thereafter
(Decrease) increase in obligation	(3.4%)	3.6%	0.02%	(0.02%)	(9.4%)	11.2%

* A change in the inflation rate of 1% has a corresponding change in the discount rate and salary scale of 1%.

6. Due from General Revenue Fund

The STC Fund and the AntiTB Fund bank accounts are included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan.

Each Fund's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis using the Government's thirty-day borrowing rate and the Fund's average daily bank account balance. The Government's average thirty-day borrowing rate in the current year was 1.09% (2012– 1.05%).

7. Deficiency Contribution from the General Revenue Fund

Under Section 40 of *The Public Service Superannuation Act,* all funds received by the Board for the PSSF are recorded as revenue of the General Revenue Fund. No funds are set aside for the payment of future benefits. All allowances and other payments are made out of the General Revenue Fund. The transactions relating to employers' and employees' contributions, superannuation allowances and refunds and transfers are recorded in these financial statements for accountability purposes.

Any deficiency of allowances and other payments over employers' and employees' contributions are recorded as a Deficiency Contribution from the General Revenue Fund. The administration costs of the PSSF are borne by the General Revenue Fund (see Note 8).

Subsections 60.1(12) and 60.2(13) of *The Public Service Superannuation Act* states that if there is insufficient money in the STC Fund and the AntiTB Fund to pay allowances or make other payments, the Minister of Finance is obligated to pay any such deficiency out of the General Revenue Fund.

8. Related Party Transactions

The annual operating expenditures associated with the administration of the STC Fund and AntiTB Fund are paid to the Public Employees Benefits Agency Revolving Fund except for investment management fees incurred for the STC Fund which are paid directly to Greystone Managed Investments Inc.

	2013 (000's)						2012 (000's)		
	AntiTB		STC		Total		AntiTB	STC	Total
	Budget	Actual	Budget	Actual	Budget	Actual	Actual	Actual	Actual
Administration costs	$14	$11	$47	$35	$61	$46	$13	$39	$52
Actuarial Fees	2	2	2	2	4	4	6	6	12
Investment management fees	-	-	13	11	13	11	-	16	16
	$16	$13	$62	$48	$78	$61	$19	$61	$80

In accordance with subsection 3(3) of *The Public Service Superannuation Act*, all general administrative and employee costs required for the administration of the Public Service Superannuation Fund are paid out of the General Revenue Fund. Accordingly, no provision for these costs is included in these financial statements. Administration costs for the year were $1,181,813 (2012 - $1,229,309). Actuarial fees for the year were $2,655 (2012 - $16,308).

9. Fair Value of Financial Assets and Financial Liabilities

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

a) Due from General Revenue Fund
b) Employees' contributions receivable
c) Employers' contributions receivable
d) Other receivables
e) Contributions payable to General Revenue Fund
f) Accounts payable and accrued liabilities

Calculation of the fair value of investments is disclosed in Note 3.

The fair value of pension obligations cannot be readily determined, however, information about the estimated provision is provided in Note 5.

10. 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 STC Fund 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 STC Fund's investment performance:

	2013	2012	Rolling Four-year Average Annual Return
Fund's actual rate of return (a)	4.52%	4.04%	7.78%
Fund's benchmark (b)	6.67%	5.22%	8.29%

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

11. 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 STC Fund'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 STC Fund's investments 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 and custodian as to their compliance with the investment policy. The Board also reviews regular compliance reports from its custodian as to the investment managers' compliance with the investment policy.

Credit risk

Credit risk is the risk that one party does not pay funds owed to another party. The Plan's credit risk arises primarily from accounts receivable and fixed income investments. The maximum credit risk to which it is exposed at March 31, 2013 is limited to the carrying value of the financial assets summarized as follows:

	2013 Carrying value ($000's)	**2012** Carrying value ($000's)
Employee contributions receivable	$ 2	$ 5
Employers contributions receivable	1	3
Other receivables	6	-
Due from the General Revenue Fund	8	4
Deficiency Contribution due from GRF	597	289
Fixed income investments[1]	3,257	3,280

[1] Includes the fixed income and money market pooled funds.

Employee and employer contributions receivable are generally received in less than 30 days.

Credit risk within investments is primarily related to the money market pooled fund. It is managed through the investment policy that limits fixed-term investments to those of high credit quality (minimum rating for short-term investments is R-1) along with limits to the maximum notional amount of exposure with respect to any one issuer.

Market risk

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

Interest rate risk

The STC fund no longer holds any investments that are subject to fluctuations in interest rates. In the past, the STC fund held investments in a fixed-income pooled fund. This investment was sold during the year.

Foreign exchange

The STC Fund no longer holds any investments that are subject to foreign exchange risk. All units in the Greystone Money Market Fund are denominated in Canadian dollars. The STC Fund was subject to changes in the U.S. dollar exchange through its U.S. equity pooled fund. Also, the STC Fund was exposed to EAFE (Europe, Australasia and Far East) currencies through its investment in EAFE equity pooled fund. Exposure to both U.S. and non-North American equity pooled funds was limited to a maximum 20% each of the market value of the total investment portfolio. At March 31, 2013, the STC Fund's exposure to the U.S. equity pooled fund was 0.0% (2012 – 10.9%) and its exposure to non-north American equity pooled fund was 0.0% (2012 – 10.4%). These investments were sold during the year.

Equity prices

The STC Fund no longer holds any investments subject to fluctuations in equity prices. The STC Fund was exposed to changes in equity prices in Canadian, U.S. and EAFE markets. As at March 31, 2013, equity pooled funds comprised 0.0% (2012 – 36.7%) of the carrying value of the STC Fund's total investments. This investment was sold during the year.

Liquidity risk

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

12. Cash Flow Forecast

The total cash inflows are the amount of contributions expected to be received by the pension plan. The total cash outflows are the amounts required to pay all pension obligations. The forecast of cash inflows and outflows have been determined using the long-term assumptions outlined in Note 5. The expected net cash flows are based on actual dollar forecasts unadjusted for inflation. The cash required for PSSF is the amount by which the cash outflows exceed cash inflows and is forecast to the end of the year 2043.

Year	Cash Inflows (000's)	Cash Outflows (000's)	Cash Required (000's)
2013-2014	$ 64	$ 138,694	$ 138,630
2014-2015	29	136,660	136,631
2015-2016	16	134,298	134,282
2016-2017	3	131,604	131,601
2017-2018	0	128,682	128,682
Total within 5 years	$ 112	$ 669,938	$ 669,826
Total 5 - 10 years	$ -	$ 597,161	$ 597,161
Total 11 - 30 years	$ -	$1,632,374	$1,632,374

The estimated net cash outflows for the AntiTB Fund for the next five years is $1.4 million, for the next 10 years $2.2 million and for the next 30 years $3.2 million. The estimated net cash outflows for the STC Fund for the next five years is $9.4 million, for the next 10 years $17.6 million, and for the next 30 years $35.8 million.

13. Details of contributions, refunds and transfers

During the year, contributions were as follows ($000):

Required employees' contributions	$ 354
Employees' past service contributions	36
Required employers' contributions (current service)	57
Total (Statement 2)	$447

During the year, refunds and transfers were as follows ($000):

Termination refunds	$ 341
Death benefits	132
Marital breakdowns	453
Total (Statement 2)	$ 926

14. Capital Management

The STC Fund receives new capital from employee and employer contributions. The STC Fund also benefits from income and market value increase on its invested capital. The STC Fund's capital is invested in a money market fund. The Minister has delegated the operational investment decisions to Greystone Managed Investments Inc. as defined in the STC Fund's Statement of Investment Policies and Goals.

Appendix 'A'

Description of Market Indices

DEX 91-Day T-Bill Index

Canada Treasury Bills represent the highest quality short-term instruments available. The index is constructed by selling and repurchasing Government of Canada T-Bills with an average term to maturity of 91 days. The DEX 91-Day T-Bill Index is calculated and marked to market daily. Prior to June 2007, it was known as the SC 91-Day Treasury Bond Index.