Saskatchewan Liquor Board Superannuation Commission




Annual Report for 2018

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Letters of Transmittal

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

May it Please Your Honour:

I respectfully submit the Annual Report of the Saskatchewan Liquor Board Superannuation Commission for the year ending December 31, 2018.

Honourable Gene Makowsky
Minister Responsible for the Saskatchewan Liquor and Gaming Authority

The Honourable Gene Makowsky
Minister Responsible for the Saskatchewan Liquor and Gaming Authority

On behalf of the Saskatchewan Liquor Board Superannuation Commission,
I have the honour of submitting the Annual Report of the Saskatchewan Liquor Board Superannuation Commission for the year ending December 31, 2018, pursuant to the provisions of Section 54 of *The Liquor Board Superannuation Act*.

Dave Wild
Administrator
Saskatchewan Liquor Board Superannuation Commission

Administrator's Comments

This annual report provides information on the 2018 Operational Goals and Objectives, and the Plan's future objectives and goals.

The Operational Goals and Objectives is comprised of three goals: Financial Management, Service Delivery and Communications, and Performance Measurement.

The Liquor Board Superannuation Fund (the Fund) posted a negative 1.28 per cent return in 2018. The Fund's rolling four-year average was 4.37 per cent. One of the Fund's objectives is to achieve a return that is equal to or greater than the benchmark portfolio.

The Commission reviews the Fund's performance in terms of the benchmark portfolio over a rolling four-year period. The Commission also reviews investment manager performance against the objectives set for each manager's portfolio.

Information on the Plan's investments, investment objectives and fund performance is provided in this report.
On behalf of the Saskatchewan Liquor Board Superannuation Commission, I am pleased to present the 2018 Annual Report of the Saskatchewan Liquor Board Superannuation Commission.

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

Introduction

The Liquor Board Superannuation Plan (the Plan) is a defined benefit pension plan for employees of the Saskatchewan Liquor and Gaming Authority. The Plan has been closed to new members since October 1, 1977. Provisions of the Plan are set out in *The Liquor Board Superannuation Act* (the Act) and *The Superannuation (Supplementary Provisions) Act.*

The Act establishes the Liquor Board Superannuation Commission (the Commission) as being responsible for administration of the Plan. While the Minister of Finance is the trustee of the Liquor Board Superannuation Fund, the Minister has delegated investment responsibilities to the Commission.

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 provides benefits to the dependents of employees and superannuates in the event of death either before or after retirement. The Commission, which consists of three members appointed by the Lieutenant Governor in Council, is responsible for the administration of the Act.

Table 1.1 shows the Commission members at December 31, 2018.

Liquor Board Superannuation Commission Members	
Dave Wild Ed Collins Vacant	Chair Member Member
	Table 1.1

As per Order in Council 531/2018, approved and ordered November 1, 2018, on January 1, 2019 the Minister responsible for The Liquor Board Superannuation Act becomes the sole member of the Liquor Board Superannuation Commission.

Mission

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

Administration

The Plan is managed by the Public Employees Benefits Agency (PEBA). PEBA is part of the Ministry of Finance, Government of Saskatchewan, and administers a wide range of pension and benefit plans.

Administration of the Liquor Board Superannuation Plan is carried out in conjunction with similar plans administered by PEBA.

The Commission retains TD Asset Management as an investment manager.

Table 1.2 shows the number of active and retired employees in the Plan as of the 2018 year-end.

Active and Retired Employees		
	December 31, 2018	**December 31, 2017**
Active Employees	1	1
Inactive Members	0	1
Retired Employees	158	169
Totals	**159**	**171**

Goals and Objectives

The Commission has set operational goals and objectives for the administration of the Plan.

Annually, a report is made to the Commission with regards to the accomplishment of the objectives.

The Operational Goals and Objectives is comprised of three goals:

1. **Financial Management**

   The Commission provides sound financial management of the Plan.

2. **Service Delivery and Communications**

   The Commission provides excellent service to the members of the Liquor Board Superannuation Plan.

3. **Performance Measurement**

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

Goals and Objectives

1. Financial Management

The Commission provides sound financial management of the Plan.

PEBA's mission as the Plan's administrator is to manage the assets and expenses solely in the best interests of the members.

Financial Management Activities

Objectives

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

Activities accomplished in 2018

- The Commission reviewed and approved its SIP&G at its November 23, 2018 meeting.
- Within 2018, confirmation of investment manager compliance with the Commission's SIP&G was reported to the Commission for the periods ending December 31, 2017, March 31, 2018, June 30, 2018 and September 30, 2018.
- The actuarial extrapolation for the year ending December 31, 2017 for the Liquor Board Superannuation Plan was received by the Commission at its March 21, 2018 meeting.
- PEBA verified the accuracy of the data used by the actuary and also verified the reasonability of the gain/loss analysis.
- The Commission approved its 2018-2019 budget at its meeting on March 21, 2018.
- Within 2018, the Commission received quarterly updates on its budget for the periods ending December 31, 2017, March 31, 2018, June 30, 2018 and September 30, 2018.

Goals and Objectives

2. Service Delivery and Communications

The Commission provides excellent service to the members of the Liquor Board Superannuation Plan.

Service Delivery and Communications Activities

Objectives

- The Commission administers the Plan in compliance with *The Liquor Board 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 Commission tables an annual report for the Plan in accordance with *The Executive Government Administration Act.*

Activities accomplished in 2018

- The Commission reviewed the audit of the Plan for the year ended December 31, 2017 provided by the Provincial Auditor of Saskatchewan (PAS) at its March 21, 2018 meeting. In its opinion, PAS stated, for the year ended December 31, 2017.
- The Commission's financial statements were reliable.
- The rules and procedures used by the Commission to safeguard public resources were effective.
- The Commission complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing and investing.

Activities accomplished in 2018 (continued)

- The member booklet is available on the PEBA website.
- Retire*With*Ease retirement planning workshops were held throughout Saskatchewan in 2018. 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.
- The 2018 Member Statements were mailed on May 11, 2018.
- The Commission's 2017 Annual Report was tabled in the Saskatchewan Legislature on April 30, 2018 prior to the deadline for tabling.

Goals and Objectives

3. Performance Measurement

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

Performance Measurement Activities

Objectives

- The Commission reviews the performance of the Plan's investment manager two times a year, including compliance with the Plan's Statement of Investment Policies and Goals.
- The Commission evaluates the performance of the Plan's actuary annually.
- Administration performance is reported to the Commission on a quarterly basis.

Activities accomplished in 2018

- The Commission reviewed the investment manager performance report at its meetings on March 21, 2018 and October 4, 2018.
- The Commission reviewed the performance of its actuary in June 2018.
- The Commission received quarterly reports on administration performance from the Public Employees Benefits Agency for the periods ending December 31, 2017, March 31, 2018, June 30, 2018, and September 30, 2018 within 2018.

Plan Expenditures and Statistics

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.

Tables 1.3 and 1.4 show all the individuals who retired during the year, organized by retirement type.

Contributions to the Plan

All active employees have reached 35 years of service and are no longer required to make contributions.

Retirement Summary		
	December 31, 2018	December 31, 2017
Attained Age 65	-	1
Attained Age 60 - No Reduction	1	1
Attained 35 Years of Service	-	-
Age 55 and 30 Years Service - Reduced Pension	-	-
Ill Health Pensions	-	-
Deferred Allowances now Payable	-	-
Early Retirement Allowances	-	-
Totals	1	2

Table 1.3

Death Benefit Summary		
	December 31, 2018	December 31, 2017
Employee Survivor Pension	-	-
Employee Cash Benefit	-	-
Superannuate Survivor Pension	3	3
Superannuate Cash Benefit	-	-
Totals	3	3

Table 1.4

Investment Performance

Objectives

The Liquor Board Superannuation Commission is responsible for holding in trust and investing the monies in the Plan. The Commission has retained TD Asset Management Inc. to be the investment manager.

The investment manager manages a portfolio of passive funds to achieve the long-term investment performances as set out by the Commission in the SIP&G for the fund. The benchmark portfolio is outlined in table 1.5.

Benchmark Portfolio		
Asset Class	**Market Index**	**Weight**
Canadian	S&P/TSX Composite	22%
US	S&P 500 (CAD)	14%
Non-North American	MSCI EAFE (CAD)	14%
Fixed Income Bonds	FTSE/TMX Universe Bond Index	45%
Short-term Investments	DEX 91-Day Canadian Treasury Bill	5%
Total		100%

Table 1.5

The Fund's long-term investment performance objective is to achieve a real rate of return of 2.55 per cent over a ten-year basis and to outperform the benchmark on a rolling four-year basis. The performance history of the Fund as of December 31, 2018 is in *Table 1.6*:

Performance History		
	1-Year Return	**Rolling 4 Year Average**
Fund's Return	-1.28%	4.37%
Benchmark Return	-1.59%	4.24%

Table 1.6

Cash Flow Forecast

The total cash inflow is the amount of employee and employer contributions expected to be received by the pension plan together with interest on investments of five per cent. The total cash outflows are the amounts that are required to pay all pension obligations. Forecast of cash flows have been determined using the long-term assumptions set out in Table 1.7.

Long-term Assumptions		
Factor	**Current Year Assumptions**	**Prior Year Assumptions**
Discount Rate	3.80%	3.30%
Interest Rate	4.80%	4.50%
Inflation	2.25%	2.25%
Salary Escalation	n/a	n/a

Table 1.7

The actuarial valuations prepared by Aon Hewitt Inc. also take into consideration mortality under the Plan, which is reflected in the Net Cash Flow Forecasts shown in Table 1.8. For the current valuation, the mortality tables have been updated and reflect the most recent mortality studies (Mortality Table CPM 2014 Private with projection scale CPM -B males at 95 per cent and females at 110 per cent).

Cash Flow Forecast	
Year	**Net Cash Outflows (000's)**
2019	$381
2020	$372
2021	$346
2022	$337
2023	$337
Total next 5 Years	$1,773
Total 5-10 Years	$1,706
Total 11-30 Years	$5,815
Total 31-50 Years	$684

Table 1.8

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 of funds and managing of assets.

The financial statements, which follow, have been prepared by management in conformity with Canadian accounting standards for pension plans as outlined in the CPA Canada 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 Saskatchewan Liquor Board Superannuation Commission reviews and approves the financial statements. In doing so, the Commission has had the opportunity to discuss the statements with management throughout the year.

The provision for annuity benefits and the accrued pension benefits are determined by an actuarial valuation. Actuarial extrapolation reports require best estimate assumptions about future events which require approval by management.

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

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

Regina, Saskatchewan
April 15, 2019

Actuarial Opinion

With respect to the Saskatchewan Liquor Board Employees Superannuation Plan (the Plan), I have prepared an actuarial valuation as at September 30, 2017 with the results subsequently extrapolated to December 31, 2018, for the purpose of determining the necessary actuarial information for financial statement reporting purposes in accordance with Section 4600 of the CPA Canada Handbook.

In my opinion, for the purpose of this actuarial valuation and extrapolation:

- The membership data on which this valuation is based are sufficient and reliable;
- The assumptions are appropriate; and
- The calculations have been made in accordance with my understanding of the requirements of Section 4600 of the CPA Canada Handbook.

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

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

Johanan Schmuecker

Fellow, Society of Actuaries
Fellow, Canadian Institute of Actuaries
February 1, 2019

Liquor Board Superannuation Commission

Liquor Board Superannuation Plan

Financial Statements

Year Ended December 31, 2018

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

Opinion

We have audited the financial statements of the Liquor Board Superannuation Plan, which comprise the statement of financial position as at December 31, 2018, and the statements of changes in net assets available for benefits and changes in pension obligations for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Liquor Board Superannuation Plan as at December 31, 2018, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Liquor Board Superannuation Plan in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the *Liquor Board Superannuation Commission Annual Report for 2018*, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or any knowledge obtained in the audit, or otherwise appears to be materially misstated.
If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian 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.

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

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Those charged with governance are responsible for overseeing the Liquor Board Superannuation Plan's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Liquor Board Superannuation Plan's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Liquor Board Superannuation Plan's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Liquor Board Superannuation Plan to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control identified during the audit.

Judy Ferguson

Regina, Saskatchewan
April 15, 2019

Judy Ferguson, FCPA, FCA
Provincial Auditor
Office of the Provincial Auditor

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Liquor Board Superannuation Plan
Statement of Financial Position

As at December 31

	(in thousands)	
Assets	**2018**	**2017**
Due from General Revenue Fund (Note 6)	$ 50	$ 26
Cash	5	6
Investments		
Pooled Funds (Note 4)	9,903	10,753
Accounts Receivable	25	-
Total Assets	9,983	10,785
Liabilities		
Accounts Payable and Accrued Liabilities	10	18
Total Liabilities	10	18
Net Assets Available for Benefits (Statement 2)	9,973	10,767
Pension Obligations (Statement 3)	51,045	56,119
Deficit	$41,072	$45,352

(See accompanying notes to the financial statements)

Liquor Board Superannuation Commission **Statement 2**

Liquor Board Superannuation Plan
Statement of Changes in Net Assets Available for Benefits

Year Ended December 31

	(in thousands)	
Increase In Assets	**2018**	**2017**
Investment Income (Note 4)		
Interest	$ 1	$ 1
Pooled Funds	390	294
	391	295
Increase in Market Value of Investments	-	480
Contributions		
Employer's (Note 1c)	3,303	3,788
Total Increase in Assets	3,694	4,563
Decrease In Assets		
Superannuation Allowances	3,920	3,987
Administration Expenses (Note 10)	80	91
	4,000	4,078
Decrease in Market Value of Investments	488	-
Total Decrease in Assets	4,488	4,078
Increase (Decrease) in Net Assets	(794)	485
Net Assets Available for Benefits, Beginning of Year	10,767	10,282
Net Assets Available for Benefits, End of Year (Statement 1)	$9,973	$10,767

(See accompanying notes to the financial statements)

Liquor Board Superannuation Commission **Statement 3**

Liquor Board Superannuation Plan
Statement of Changes in Pension Obligations

Year Ended December 31

	(in thousands)	
	2018	**2017**
Pension Obligations, Beginning of Year	$56,119	$57,124
Increase In Pension Obligations		
Interest on Accrued Obligations	1,787	1,985
Net Loss Due to Change in Assumptions (Note 5)	-	1,760
	1,787	3,745
Decrease In Pension Obligations		
Obligations Paid	3,920	3,988
Net Gain Due to Change in Assumptions (Note 5)	2,720	-
Net Experience Gain (Note 5)	221	762
	6,861	4,750
Pension Obligations, End of Year (Statement 1)	$51,045	$56,119

(See accompanying notes to the financial statements)

Liquor Board Superannuation Commission

Liquor Board Superannuation Plan
Notes to the Financial Statements

December 31, 2018

1. Description of the Plan

a) General

The Liquor Board Superannuation Plan (Plan), which is domiciled in Regina, Saskatchewan, is a defined benefit final average pension plan established under *The Liquor Board Superannuation Act* (Act). The Act also established the Liquor Board Superannuation Fund to account for all transactions of the Plan. Membership is comprised of employees of the Liquor and Gaming Authority (SLGA) who were enrolled on October 1, 1977 and who did not elect to transfer to the Public Employees Pension Plan prior to October 1, 1978. When a member of the Public Service Superannuation Plan or the Saskatchewan Power Corporation Superannuation Plan becomes an employee of the Liquor and Gaming Authority, the member's accumulated contributions and interest are transferred to the Liquor Board Superannuation Plan and the member is given credit for his/her full service under the former plan.

Complete Plan details are contained in the Act, *The Superannuation (Supplementary Provisions) Act* and *The Superannuation Acts Uniform Regulations.*

b) Administration

The Liquor Board Superannuation Commission (Commission) administers the Plan. Day-to-day administration is provided by the Public Employees Benefits Agency.

c) Funding Policy

As of December 31, 2013, all active members have reached 35 years of service and are no longer required to make contributions. Members contributed at the rate of 7 per cent, 8 per cent, or 9 per cent of salary depending on their age at the date of commencement of employment. Contributions were reduced by an amount equal to deemed Canada Pension Plan contributions. The employer contributed a fixed percentage of the members' contributions as necessary to fund the benefits provided by the Plan. This rate was set periodically by the Commission on the advice of the Actuary. In addition, the employer has been providing special funding to cover the unfunded liability in the Plan. In 2018, the employer provided special funding of $3,303,129 (2017 – $3,788,288).

d) Retirement

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

e) Pensions

Annual pensions are calculated as 2 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. Members' pensions are reduced due to a bridge benefit granted from retirement to age 65. Pensions are indexed each April 1 based upon 70 per cent of the year-over-year increase in the Consumer Price Index.

f) 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 December 31, 2018 have been prepared in accordance with the Canadian accounting standards for pension plans as outlined in the CPA Canada 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 Commission on April 15, 2019.

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 with all gains and losses being recognized through change in market value on the Statement of Changes in Net Assets Available for Benefits.

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) Special Funding

SLGA periodically provides special funding to the Plan. The special funding is recognized as revenue of the Plan when received.

e) 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).

f) Accounting Policy Changes

Effective January 1, 2018, the Plan adopted the new standard IFRS 9.

IFRS 9, Financial Instruments, has replaced IAS 39 Financial Instruments: Recognition and Measurement, and includes guidance on the classification and measurement of financial instruments, impairment of financial assets, and a new general hedge accounting model.

The adoption of this new standards did not result in any financial impact or change in the financial statement presentation.

4. Investments

During the year the Plan held its investments in a passive portfolio with TD Asset Management. The Plan limits its investment in foreign equities including foreign pooled funds to 38 per cent of the cost of the investment portfolio and the pooled funds are denominated in Canadian dollars. The Plan’s units in pooled funds have no fixed interest rate and the returns are based on the success of the fund manager. The Plan's pooled funds are comprised of the following:

	Market Value (in thousands)	
	2018	**2017**
TD Canadian Bond Index Fund	$ 4,715	$ 4,455
TD Canadian Equity Index Fund	2,101	2,801
TD International Equity Index Fund	1,394	1,608
TD US Market Index Fund	-	1,680
TD Pooled US Fund	1,357	-
TD Canadian Short Term Investment Fund	336	209
	$ 9,903	$ 10,753

Effective December 31, 2018, the Plan transitioned all funds held in the TD US Market Index Fund to the TD Pooled US Fund.

The TD Canadian Equity Index Fund, the TD US Market Index Fund, the TD Pooled US Fund, and the TD International Equity Index Fund all may use derivative financial instruments such as forward and futures contracts, options and swaps, as permitted by the Canadian Securities legislation, to gain exposure to the S&P/TSX Composite Index, the S&P 500 Index and the MSCI EAFE Index and their underlying components respectively, to hedge against movements in currency exchange rates and equity indices, and to increase liquidity within the portfolio. Sufficient cash or securities will be held within each fund to cover all derivative obligations.

Derivative financial instruments are financial contracts that change in value resulting from changes in underlying assets or indices. Derivatives transactions are conducted in over-the-counter markets directly between two counterparties or on regulated exchange markets. All derivative financial instruments are recorded at market value using market prices. Where market prices are not readily available, other valuation techniques are used to determine market value.

Fair Value

The Plan has classified its 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 pooled funds that are classified as Level 2.

5. Pension Obligations

An actuarial valuation of the Liquor Board Superannuation Plan was performed as at September 30, 2017 and extrapolated to December 31, 2018 by Aon Hewitt. The actuary used the projected benefit method prorated on services to determine the actuarial present value of accrued pension benefits. The next triennial valuation is due September 30, 2020.

The pension liability is based on a number of assumptions about future events including: discount rate, 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.
The discount rate is based on the yield on long-term high grade (AAA/AA) Canadian corporate bonds with cash flows that match the timing and amount of expected benefit payments. This yield has increased from 3.30 per cent to 3.80 per cent, which decreased the accrued pension obligations by $2,720,000.

Pension obligations decreased by $221,000 due to the impact of actual indexing at April 1, 2018 of 1.16 per cent being less than the expected indexing of 1.58 per cent per annum.

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

	2018	**2017**
Inflation Rate	2.25%	2.25%
Discount Rate	3.80%	3.30%
Mortality Table	CPM2014 Private table with generational projection (Males @ 95%, Females @ 110%)	CPM2014 Private table with generational projection (Males @ 95%, Females @ 110%)

The following illustrates the effect of changing certain assumptions from assumed rates of: inflation 2.25 per cent and discount rate 3.80 per cent.

	Long-Term Assumptions			
	Inflation*		Discount Rate	
	3.25%	1.25%	4.8%	2.8%
(Decrease) increase in pension obligation	(2.7%)	2.9%	(9.6%)	11.4%

* A change in the inflation rate of one per cent has a corresponding change in the discount rate of one per cent

If there are insufficient monies in the Fund to pay allowances, SLGA is obligated to pay any deficiency to the Plan.

Cash Flow Forecast

The table is a 50 year projection of contributions, benefit payments and interest with respect to the assets of the Plan. The assumed rate of return on assets is 4.8 per cent per annum, and the employer contributions are calculated as 78.3 per cent of total benefit payments.

	(in thousands)			
	Contributions	Benefits Paid	Investment Return	Net Cash Outflow/ (Deficiency)
2019	3,030	3,870	459	(381)
2020	2,933	3,746	441	(372)
2021	2,776	3,546	424	(346)
2022	2,684	3,429	408	(337)
2023	2,632	3,361	392	(337)
Total next 5 years	14,055	17,952	2,124	(1,773)
Total 5-10 years	12,363	15,792	1,723	(1,706)
Total 11-30 years	32,067	40,958	3,076	(5,815)
Total 31-50 years	2,857	3,651	110	(684)

6. Due from General Revenue Fund

The Liquor Board Superannuation Plan bank account is included in the Consolidated Offset Bank Concentration (COBC) 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 thirty-day borrowing rate, and the Plan's average daily bank account balance. The Government's average thirty-day borrowing rate in 2018 was 1.41 per cent (2017 – 0.70 per cent).

7. 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 Commission. 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 Commission reviews regular compliance reports from its investment manager as to their compliance with the investment policy. The Commission also reviews regular compliance reports from the pooled fund custodian as to the investment manager's compliance with the investment policy.

Credit risk

The Plan's credit risk arises from investments. The maximum credit risk to which it is exposed at December 31, 2018 is limited to the carrying value of the financial assets summarized as follows:

	(in thousands)	
	2018	**2017**
Cash	$ 5	$ 6
Due from the General Revenue Fund	50	26
Accounts Receivable	25	-
Fixed income Investments[1]	5,051	4,664

[1]Includes the bond index fund and short term investment fund.

Credit risk within investments is primarily related to the Short Term Investment Fund and the Bond Index Fund. It is managed through the investment policy that limits fixed term investments to those of high credit quality (minimum rating for bonds is 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.

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. 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 unfunded liability by $0.38 million at December 31, 2018, representing 7.44 per cent of the $5.05 million fair value of fixed income investments.

Foreign exchange

The Plan is exposed to changes in the U.S. dollar through its previously held U.S. Market Index Fund and its TD Pooled U.S. Fund. Also, the Plan is exposed to changes in Non-North American currencies through its investment in the International Equity Index Fund. Exposure to both U.S. equities and Non-North American equities is limited to a combined maximum of 38 per cent of the market value of the total investment portfolio. At December 31, 2018, the Plan's exposure to U.S. equities was 13.7 per cent (2017 – 15.6 per cent) and its exposure to Non-North American equities was 14.1 per cent (2017 – 15.0 per cent).

At December 31, 2018, a 10 per cent change in the Canadian dollar versus U.S. dollar exchange rate would result in an approximate $0.14 million change in net assets available for benefits and unfunded liability. A 10 per cent change in the Canadian dollar versus the Non-North American currencies would result in an approximate $0.14 million change in net assets available for benefits and unfunded liability.

Equity prices

The Plan is exposed to changes in equity prices in Canadian, U.S. and Non-North American markets through its pooled funds. Equity pooled funds comprise 49.0 per cent (2017 – 56.6 per cent) of the carrying value of the Plan's total investments.

The following table indicates the approximate change that could be anticipated in net assets available for benefits and unfunded liability based on changes in the Plan's benchmark indices at December 31, 2018:

	(in thousands)	
	10% increase	10% decrease
S&P/TSX Composite Index	$ 210	$ (210)
S&P 500 Index	136	(136)
MSCI EAFE Index	139	(139)

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.

8. 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 control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan collectively referred to as "related parties". The administration expenses of the Plan are paid to the Public Employees Benefits Agency (PEBA) Revolving Fund.

Other transactions with related parties and amounts due to or from them are disclosed separately in these financial statements and notes.

Related party transactions with the Plan are in the normal course of operation and are recorded at exchange amounts agreed to by the parties to the transactions.

9. Investment Performance

The Commission 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	
	2018	2017	2018	2017
Plan's Actual Rate of Return (a)	-1.28%	7.65%	4.37%	6.82%
Plan’s Target Rate of Return (b)	-1.59%	7.36%	4.24%	7.21%

(a) The annual return is before deducting investment expenses.

(b) The Plan's target rate of return for its investment portfolio (return on the benchmark portfolio) has been determined using the actual returns of the market indices such as the S&P/TSX Capped Composite Index, S&P 500 Index, Morgan Stanley Capital International Europe Australasia Far East Index and the DEX Universe Bond Index.

10. Administration Expenses

	(in thousands)	
	2018	**2017**
Administration - PEBA Revolving Fund	$73	$84
Investment management fees –TD Asset Management[1]	7	7
	$80	$91

[1]Investment management fees are based on the market value of the portfolio.

11. Fair Value of Financial Assets and Financial Liabilities

The following method and assumptions were used to estimate the fair value of each class of financial assets and financial liabilities:

Fair values of investments are considered to be market values (Note 3).

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

a) Due from General Revenue Fund;
b) Accounts receivable; and
c) Accounts payable and accrued liabilities.

12. Capital Management

The Plan receives new capital from special funding provided by the employer. The Plan also benefits from income and market value increases on its invested capital. The Plan's capital is invested in a number of pooled funds including equity funds, a fixed income fund, and a short term investment fund. The Commission has delegated the operational investment decisions to TD Asset Management Inc. as defined in the Plan's Statement of Investment Policy and Procedures.