PROVINCE OF SASKATCHEWAN

2010

ANNUAL REPORT

SASKATCHEWAN LIQUOR BOARD SUPERANNUATION COMMISSION

Table of Contents

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

Letters of Transmittal

His Honour, The Honourable Dr. Gordon L. Barnhart
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, 2010.

Tim McMillan
Minister Responsible for the Saskatchewan Liquor and Gaming Authority

The Honourable Tim McMillan
Minister Responsible for the Saskatchewan Liquor and Gaming Authority

Sir:

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, 2010, pursuant to the provisions of Section 54 of *The Liquor Board Superannuation Act.*

Brian Smith
Chair
Saskatchewan Liquor Board Superannuation Commission

Chair's Comments

It is my privilege to chair the Saskatchewan Liquor Board Superannuation Commission.

This annual report provides information on the 2010 business plan activities and accomplishments, and the Plan's future objectives and goals.

In 2009, the Commission adopted a new multi-year business plan with stated goals through to 2014. Included in the plan are initiatives and activities in Service Design, Delivery and Communications, Plan Governance, Accountability and Risk Management. These goals and reporting of their results allow the Commission to establish a clear direction for the future of the Plan.

The Liquor Board Superannuation Fund (the Fund) posted a 10.2 per cent return in 2010, outperforming its benchmark. 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 2010 Annual Report of the Saskatchewan Liquor Board Superannuation Commission.

Brian Smith

Brian Smith
Chair

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 as at December 31, 2010.

Mission

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

Liquor Board Superannuation Commission Members	
Brian Smith	Chair
Barry Lacey	Member
Randy Werner	Member

Table 1.1

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 benefits plans.

Administration of the Liquor Board Superannuation Plan is carried out in conjunction with similar plans administered by PEBA. Changes to administrative processes will continue to be evaluated with the intent of identifying opportunities for improving customer service and becoming more responsive to the needs of the Commission and the membership.

The Commission retains Aon Hewitt as an investment consultant and Greystone Managed Investments as an investment manager.

Table 1.2 shows the number of active and retired employees in the Plan as of the most recent and 2009 year-ends.

Active and Retired Employees		
	December 31, 2010	**December 31, 2009**
Active Employees	19	29
Inactive Members	3	3
Retired Employees*	206	205
Totals	**228**	**237**

*Includes Superannuates, plus their dependents now in receipt of a survivor pension.

Table 1.2

Initiatives

In 2009, the Commission adopted its multi-year Business Plan to achieve its stated goals through to 2014.

The Business Plan allows the Commission to focus on making key decisions that set a clear direction for the future of the Plan. Annual results are used to assess overall progress toward goals and initiatives and to adjust future plans and activities. Regular reporting allows the Commission to make necessary changes to resource allocations.

The Business Plan sets out initiatives and activities for the planning period within four business goals:

1. **Service Delivery, Design and Communications:**
   Plan members have access to information needed to make the decisions they make within the Plan.

2. **Plan Governance:**
   The Commission's governance processes ensure the Commission has the information needed to provide effective oversight of the Plan.

3. **Accountability:**
   The activities of the Commission and its service providers are reported.

4. **Risk Management:**
   Risks facing the Plan are identified and effective strategies are employed to manage those risks.

The initiatives used to support these goals and the associated objectives, generally, are not time bound. Rather, they are initiatives that are required to be undertaken on an ongoing basis.

Initiatives

1. Service Delivery, Design and Communications

Plan members have access to information needed to make the decisions they make within the Plan.

The focus of the service delivery in the short term will be primarily on the remaining active members of the Plan until such time as all or substantially all of the active members have retired. The primary focus will then shift to service delivery to retired members.

Service Delivery, Design and Communications Activities

Objective

- Plan members have access to the information they require to make the decisions about their retirement.

Activities accomplished in 2010

- Retire*With*Ease, the Plan's retirement planning session, is available to all members of the Plans that PEBA administers. These sessions are scheduled throughout the year and at various Saskatchewan locations. The schedule, locations and information materials are available on the website.
- Members and employers have access to Plan information via the website, PEBA administration staff, Plan overview sessions and the Retire*With*Ease sessions. Information includes the member booklet, InfoSheet publications, annual reports, Statement of Investment Policies and Goals (SIP&G), Employer Administration Guide, information sheets and online pension-related articles.
- The annual member statements were issued on June 10, 2010.

Activities Planned Through to 2014

- Continued review, monitoring and reporting of the ongoing activities related to service delivery, design and communications. These ongoing activities include the continued delivery of Retire*With*Ease sessions, Plan overview sessions and member and employer communication materials.

Initiatives

2. Plan Governance

The Commission's governance processes ensure the Commission has the information needed to provide effective oversight of the Plan. The Commission has developed its governance practices and policies in recent years and will continue to implement and maintain its governance program.

Plan Governance Activities

Objectives

- The Commission has required information.
- The governance model is appropriate.

Activities accomplished in 2010

- The Commission reviewed and approved the Business Plan for the period 2010 to 2014 at its March 2010 meeting.
- The Commission approved its updated Governance Manual at its November 2010 meeting. The substantive updates included a definition of duties for individual Commission members in their roles as fiduciaries.
- The Commission reviewed and signed its Code of Conduct and Conflict of Interest Procedures at its September 2010 meeting.
- The Commission reviewed and approved the Governance Self-Assessment Questionnaire at its November 2010 meeting. This questionnaire is available on the website.
- The Commission received the PEBA Quarterly Administration Report.

Activities Planned Through to 2014

- Provide the Minister responsible for the Saskatchewan Liquor and Gaming Authority with a recommendation indicating that it is appropriate to undertake a review of the governance model for the Plan.
- Continued review, monitoring and reporting of the ongoing activities related to Plan Governance. These ongoing activities include the quarterly administration reporting process, annual review of the Governance Manual, annual review and signing of the Code of Conduct and Conflict of Interest Procedures, and annual self-assessment process.

Initiatives

3. Accountability

The activities of the Commission and its service providers are reported. Effective plan management requires a strong focus on accountability, the basis of which is the establishment of measurable objectives and the monitoring of progress against these objectives. To ensure accountability, the reporting of results is critical.

The Commission has established administration service standards and a Statement of Investment Policy and Goals (SIP&G) for the Fund.

Accountability Activities

Objective

- The Commission reports its results to stakeholders.

Activities accomplished in 2010

- The Liquor Board Superannuation Commission Annual Report for the period ending December 31, 2009 was tabled with the Legislative Assembly of Saskatchewan on April 19, 2010. The Annual Report included enhancements as identified and approved by the Commission. The Annual Report is available on the website.
- The PEBA Quarterly Administration Report provides the Commission with quarterly service standard performance reporting.
- The Commission approved the Plan's SIP&G at its meeting in March 2010. The SIP&G is available on the website.
- The Governance Self-Assessment Questionnaire is available on the website.

Activities Planned Through to 2014

- Continued review, monitoring and reporting of the ongoing activities related to accountability. These ongoing activities include the review and identification of enhancements to the Plan's website and Annual Report.

Initiatives

4. Risk Management

The risks facing the Plan are identified; effective strategies are employed to manage those risks.

Effective governance requires a strong focus on risk management, the basis of which is the identification and quantification of risks and the development and implementation of effective strategies to manage the risks.

The Commission has established an annual risk management planning process. This includes the identification of risks and the development and implementation of strategies to manage the risks. The Commission also annually reviews the results of its risk management process.

Risk Management Activities

Activities accomplished in 2010

- The Commission approved its 2009 Risk Management Review and 2009 Risk Management Plan at the meeting in March 2010.
- The Commission received notification at its March 2010 meeting that the latest version of PEBA's Business Continuity Pan and Disaster Recovery Plan was filed with its Executive Secretary.

Activities Planned Through to 2014

- In 2011, as part of a bi-annual review, service providers will be required to confirm their adherence to a code of conduct and conflict of interest policy, and to confirm that they have a Business Continuance Plan for their organizations.
- Continued review, monitoring and reporting of the annual risk management planning process.

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, 1.4 and *1.5* show all the individuals who retired during the year, organized by retirement type. Detailed listings of all transactions are included at the end of the report.

Contributions to the Plan

Employee contributions to the Plan during the year totaled $58,553 compared to $90,371 for the previous Plan year.

Retirement Summary		
	December 31, 2010	**December 31, 2009**
Attained Age 65	-	-
Attained Age 60 - No Reduction	1	1
Attained 35 Years of Service	8	3
Age 55 and 30 Years Service - Reduced Pension	1	1
Ill Health Pensions	-	-
Deferred Allowances now Payable	-	1
Early Retirement Allowances	-	-
Totals	10	6

Table 1.3

Death Benefit Summary		
	December 31, 2010	**December 31, 2009**
Employee Survivor Pension	-	-
Employee Cash Benefit	-	-
Superannuate Survivor Pension	4	3
Superannuate Cash Benefit	-	-
Totals	4	3

Table 1.4

Termination of Employment Summary		
	December 31, 2010	**December 31, 2009**
Deferred Pension	-	-
Cash Refund	-	-
Totals	-	-

Table 1.5

Investment Performance

The Liquor Board Superannuation Commission is responsible for holding in trust and investing the monies in the Plan. The Commission has retained 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 performances set out by the Commission in the SIP&G for the Liquor Board Superannuation Fund (Fund). It is against these long-term investment performance objectives that the Commission assesses the performance of the investment manager.

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

Table 1.6

The Fund's long-term investment performance objective is to achieve a real rate of return of 3.75% and to outperform the benchmark on a rolling four-year basis. The performance history of the Fund as of December 31, 2010 is in Table 1.7:

Performance History		
	1-Year Return	**Rolling 4 Year Average**
Fund's Return	10.2%	2.4%
Benchmark Return	8.7%	2.2%

Table 1.7

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 6.25%. 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 1.8.*

Long-term Assumptions		
Factor	**Current Year Assumptions**	**Prior Year Assumptions**
Discount Rate	5.10%	5.80%
Interest Rate	6.25%	6.00%
Inflation	2.50%	2.50%
Salary Escalation	3.50%	3.50%

Table 1.8

The actuarial valuations prepared by Aon Hewitt also take into consideration mortality under the Plan, which is reflected in the Net Cash Flow Forecasts shown in *Table 1.9.* For the current valuation the mortality tables have been updated and reflect the most recent mortality studies (Mortality Table UPM1994 Projected to 2020).

Cash Flow Forecast	
Year	**Net Cash Outflows (000's)**
2011	$231
2012	$286
2013	$319
2014	$314
2015	$305
Total next 5 Years	$1,455
Total 5-10 Years	$1,462
Total 11-30 Years	$5,134

Table 1.9

Retirement Details			
Name	**Position**	**Last Monthly Salary**	**Age**
Employees Retired Having Attained the Age of Retirement - Age 65			
None			
Employees Retired at Their Option After Age 60 with 20 Years Service			
TOSH, Duane	Store Manager	$5,507.58	60
Employees Retired at Their Option with 35 Years Service			
ANDERSON, Bradley	Assistant Store Manager	$4,329.40	54
COURCHENE, Donald	Assistant Store Manager	$4,634.15	56
DENNETT, Lucinda	Administrative Assistant	$4,520.01	53
GOULD, John	Store Manager	$6,941.00	56
PAWLUK, Ronald	Store Manager	$6,941.00	58
SALI, Phyllis	Community Liaison Officer	$5,051.58	53
TRIFFO, Kenneth	Store Manager	$6,310.98	62
WAWRYK, Walter	Assistant Store Manager	$4,634.15	58
Employees Retired After Age 55 with Minimum 30 Years Service - Reduced			
MCWHINNEY, Malcolm	Assistant Store Manager	$4,634.15	57

Table 1.10

Management's Report

To the Members of the Legislative Assembly of Saskatchewan

Administration of the Plan is presently assigned to the Public Employees Benefits Agency of the Ministry of Finance. Management is responsible for financial administration, administration of funds and managing of assets.

The financial statements which follow have been prepared by management in conformity with Canadian generally accepted accounting principles. 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 valuation 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.

Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency

Ann Mackrill
Director, Pension Programs
Public Employees Benefits Agency

Kathy Deck, CGA
Director, Financial Services
Public Employees Benefits Agency

Regina, Saskatchewan
March 16, 2011

Actuaries' Opinion

Aon Hewitt was retained by the Liquor Board Superannuation Commission (the Commission) to perform an actuarial valuation of the accrued pension benefits of the Liquor Board Superannuation Plan (the Plan) on an accounting basis as at September 30, 2008. Aon Hewitt was further retained to extrapolate the results of this valuation to December 31, 2010.

The valuation and extrapolation were based on:

- Membership data provided by the Commission as at September 30, 2008;
- Asset data provided by the Commission as at December 31, 2010;
- Methods prescribed by The Canadian Institute of Chartered Accountants for pension plan financial statement; 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 accrued pension benefits 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 valuation and the extrapolation. Our opinions have been given and our valuation and extrapolation have been performed in accordance with accepted actuarial practice.

David R. Larsen, FSA, FCIA
Aon Hewitt

March 16, 2011

Liquor Board Superannuation Commission
Liquor Board Superannuation Plan

Financial Statements

Year Ended December 31, 2010

Independent Auditor’s Report

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Liquor Board Superannuation Plan (Plan), which comprise the Statement of Net Assets Available for Benefits, Accrued Pension Benefits and Unfunded Liability as at December 31, 2010, the Statement of Changes in Net Assets Available for Benefits and Changes in Accrued Pension Benefits 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 generally accepted accounting principles 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 Plan as at December 31, 2010, and the changes in net assets available for benefits and changes in accrued pension benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
March 16, 2011

Brian Atkinson, FCA
Acting Provincial Auditor

Liquor Board Superannuation Commission — Statement 1

Liquor Board Superannuation Plan
Statement of Net Assets Available For Benefits, Accrued Pension Benefits And Unfunded Liability

As At December 31

	2010 (000's)	2009 (000's)
ASSETS		
Due from General Revenue Fund (Note 5)	$ 62	$ 163
Investments		
Pooled Funds (Note 3)	9,964	9,422
Receivables		
Employees' contributions	2	1
Employer's contributions	11	4
Other	1	-
Total assets	10,040	9,590
LIABILITIES		
Accounts payable and accrued liabilities	7	7
Total liabilities	7	7
NET ASSETS AVAILABLE FOR BENEFITS (Statement 2)	10,033	9,583
Accrued pension benefits (Statement 3)	57,434	54,205
Unfunded liability	$47,401	$44,622

(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

	2010 (000's)	2009 (000's)
INCREASE IN ASSETS		
Investment income		
Interest	$ 2	$ -
Pooled Funds	359	315
	361	315
Increase in market value of investments	535	875
Contributions		
Employees'	59	90
Employer's	3,219	1,304
Total increase in assets	4,174	2,584
DECREASE IN ASSETS		
Superannuation allowances	3,646	3,375
Administration expenses (Note 9)	78	80
Total decrease in assets	3,724	3,455
Increase/(decrease) in net assets	450	(871)
NET ASSETS AVAILABLE FOR BENEFITS, beginning of year	9,583	10,454
NET ASSETS AVAILABLE FOR BENEFITS, end of year - to Statement 1	$ 10,033	$ 9,583

(See accompanying notes to the financial statements)

Liquor Board Superannuation Commission — Statement 3

Liquor Board Superannuation Plan
Statement of Changes in Accrued Pension Benefits

Year Ended December 31

	2010	2009
	(000's)	(000's)
ACCRUED PENSION BENEFITS, beginning of year	$ 54,205	$ 45,845
INCREASE IN ACCRUED PENSION BENEFITS		
Interest on accrued benefits	3,052	3,334
Benefits accrued	275	347
Net loss due to change in assumptions (Note 4)	3,947	7,858
Net experience loss	-	196
	7,274	11,735
DECREASE IN ACCRUED PENSION BENEFITS		
Benefits paid	3,646	3,375
Gain due to indexing (Note 4)	399	-
	4,045	3,375
ACCRUED PENSION BENEFITS, end of year – to Statement 1	$ 57,434	$ 54,205

(See accompanying notes to the financial statements)

Liquor Board Superannuation Plan
Notes to the Financial Statements

December 31, 2010

1. Description of the Plan

a) General

The Liquor Board Superannuation Plan 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 (previously Liquor Board) 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 members' accumulated contributions and interest are transferred to the Liquor Board Superannuation Plan and the members are 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 administers the Plan. Day-to-day administration is provided by the Public Employees Benefits Agency.

c) 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. The employer contributes a fixed percentage of the members' contributions as necessary to fund the benefits provided by the Plan. This rate is set periodically by the Commission on the advice of the Actuary.

d) Retirement

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

e) 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. Pensions are indexed each April 1 based upon 70% 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. Significant Accounting Policies

The financial statements are prepared in accordance with Canadian generally accepted accounting principles. The following accounting policies are considered significant.

a) 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.

b) 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.

c) Future Accounting Policy Changes

In April 2010, the Accounting Standards Board (ACSB) of the Canadian Institute of Chartered Accountants approved Section 4600, Pension Plans, as Part IV of the Handbook. The new section is based on the existing Section 4100, Pension Plans, in Part V of the Handbook, with the same substantive modifications including increased disclosures. The standards apply for annual financial statements relating to fiscal years beginning on or after January 1, 2011 with early adoption permitted. The Plan is evaluating the impact that these new standards will have on its financial statements.

3. Investments

The Plan limits its investments in pooled equity funds to 10% of the market value of each fund. Foreign equities including foreign pooled funds are limited to 40% of the cost of the investment portfolio and 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:

	Units Held (000’s)		% of Total Units Outstanding		Market Value (000’s)		Investment Income and Change in Market Value (000’s)	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Greystone Fixed Income Fund	403	416	0.82	0.89	$4,155	$ 4,232	$ 304	$ 352
Greystone Canadian Equity Fund	92	105	0.12	0.13	2,345	2,301	366	561
Greystone EAFE Plus Fund	196	166	0.09	0.09	1,502	1,263	50	247
Greystone US Equity Fund	136	143	0.90	0.94	1,420	1,350	172	27
Greystone Money Market Fund	54	28	0.24	0.16	542	276	2	3
					$9,964	$9,422	$ 894	$ 1,190

The Greystone EAFE Plus Fund holds units in the Greystone EAFE Quantitative Fund and the Greystone EAFE Growth Fund. These funds may use derivative financial instruments such as foreign currency forward exchange contracts and future contracts for hedging foreign currency and replicating indexes.

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 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 pooled funds that are classified as Level 2.

4. Obligation for Accrued Pension Benefits

An actuarial valuation of the Liquor Board Superannuation Plan was performed as at September 30, 2008 and extrapolated to December 31, 2010 by Aon Hewitt. The actuary used the projected benefit method prorated on services to determine the actuarial present value of accrued pension benefits.

The pension liability 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. 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 decreased from 5.80 % to 5.10% resulting in an increase in the accrued pension benefits. In addition, the mortality improvements in the 1994 Uninsured Pensioner Mortality Table have been projected to 2020, as compared to 2018 for the previous extrapolation. This change also increased the accrued pension benefits.

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

	2010	**2009**
Salary escalation rate	3.50%	3.50%
Inflation rate	2.50%	2.50%
Discount rate	5.10%	5.80%
Mortality table	1994 UPM (Projected to 2020)	1994 UPM (Projected to 2018)
EARSL	1.4	1.4
Expected long-term rate of return	6.25%	6.00%

The following illustrates the effect of changing certain assumptions from assumed rates of: inflation 2.50%, salary 3.50% and discount rate 5.10%.

	Long-Term Assumptions					
	Inflation*		Salary		Discount Rate	
	3.5%	1.5%	4.5%	2.5%	6.1%	4.1%
(Decrease) increase in liability	(2.7%)	2.8%	0.1%	(0.1%)	(9.7%)	11.7%

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

The net experience gain is due to indexing at April 1, 2010 being less than expected.

If there are insufficient monies in the Fund to pay allowances, Liquor and Gaming Authority is obligated to pay any deficiency to the Plan.

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 6.25% and employer contributions calculated as 80.1% of total benefit payments. 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 used in the valuation. All amounts are based on actual dollar forecasts.

	Contributions	Benefits Paid	($000's) Investment Return	Net Cash Outflow
2011	3,497	4,329	601	231
2012	3,565	4,436	585	286
2013	3,566	4,452	567	319
2014	3,466	4,328	548	314
2015	3,358	4,192	529	305
Total next 5 years	17,452	21,737	2,830	1,455
Total 5-10 years	15,444	19,282	2,376	1,462
Total 11-30 years	42,531	53,105	5,440	5,134
Total 31-50 years	10,987	13,718	763	1,968

5. 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 2010 was 0.60% (2009 – 0.47%).

6. Financial Risk Management

The nature of the Plan's operations result in a statement of net assets available for benefits, accrued pension benefits and unfunded liability 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 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 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 primarily from two distinct sources: accounts receivable and certain investments. The maximum credit risk to which it is exposed at December 31, 2010 is limited to the carrying value of the financial assets summarized as follows:

	($000's)	
	2010	**2009**
Due from the General Revenue Fund	$ 62	$ 163
Accounts receivable	14	5
Fixed income investments[1]	4,697	4,508

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

Accounts receivable are primarily made up of employee and employer contributions receivable.

Employee and employer contributions receivable are generally received within 15 days.

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

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 in net assets available for benefits and unfunded liability by $0.27 million at December 31, 2010, representing 6.5% of the $4.2 million fair value of fixed income investments.

Foreign exchange

The Plan is exposed to changes in the U.S. dollar exchange through its U.S. equity pooled fund. Also, the Plan is exposed to EAFE (Europe, Australasia and Far East) currencies through its investment in EAFE equity pooled fund. Exposure to both U.S. equities and non-North American equities is limited to a maximum 20% each of the market value of the total investment portfolio. At December 31, 2010, the Plan's exposure to U.S. equities was 14.3% (2009 – 14.3%) and its exposure to non-north American equities was 15.0% (2009 – 13.4%).

At December 31, 2010, a 10 % change in the Canadian dollar versus U.S. dollar exchange rate would result in approximately a $0.14 million change in net assets available for benefits and unfunded liability. A 10% change in the Canadian dollar versus the EAFE currencies would result in approximately a $0.15 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 EAFE markets through its pooled funds. Equity pooled funds comprise 52.9% (2009 – 52.1%) 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, 2010:

	(Change in $000's)	
	10% increase	10% decrease
S&P/TSX Composite Index	$ 235	$ (235)
S&P 500 Index	142	(142)
MSCI EAFE Index	150	(150)

Liquidity risk

Liquidity risk is the risk that the Plan's 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.

7. 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.

8. 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 Commission. The Commission reviews the investment performance of the plan in terms of the performance of the benchmark portfolio over 4 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	
	2010	2009	2010	2009
Plan's actual rate of return (a)	10.2%	13.0%	2.4%	2.8%
Plan's Target rate of return (b)	8.7%	12.8%	2.2%	2.9%

(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 indexes such as the Toronto Stock Exchange Capped Composite 10% Index, S&P 500 Index, Morgan Stanley Capital International Europe Australasia Far East Index and the DEX Universe Bond Index.

9. Administration Expenses

($000's)

	2010		2009
	Budget	**Actual**	**Actual**
Administration - PEBA Revolving Fund	$74	$57	$58
Investment management fees – Greystone*	24	21	22
	$98	$78	$80

*Investment management fees are based on the market value of the portfolio.

10. Fair Value of Financial Assets and Financial Liabilities

The pension liability is long-term in nature and there is no market for settling these pension obligations. Therefore, determination of the fair value of the pension liability is not practical (Note 4).

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 2).

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) employees' and employer's contributions receivable
b) other receivables
c) due from General Revenue Fund
d) accounts payable and accrued liabilities

LIQUOR BOARD SUPERANNUATION PLAN
SCHEDULE OF INVESTMENTS (Unaudited)

EXHIBIT 1

YEAR ENDED DECEMBER 31, 2010

Security		Market Value
Pooled Funds		
Greystone Managed Investments Canadian Equity Fund	$	2,345,304
Greystone Managed Investments Fixed Income Fund		4,154,881
Greystone Managed Investments Money Market Fund		541,770
Greystone Managed Investments US Equity Fund		1,420,239
Greystone Managed Investments EAFE Plus Fund		1,502,117
Total Long Term Investments	$	9,964,311

LIQUOR BOARD SUPERANNUATION PLAN — EXHIBIT 2

SCHEDULE OF INVESTMENT TRANSACTIONS (Unaudited)

YEAR ENDED DECEMBER 31, 2010

Pooled Funds	**Units**	**Purchases**	**Disposals**	**Net**
Greystone Canadian Equity Fund	(12,247)	$ 126,870	$ 404,000	$ (277,130)
Greystone Fixed Income Fund	(13,086)	584,345	716,000	(131,655)
Greystone Money Market Fund	26,549	423,007	157,517	265,490
Greystone United States Equity Fund	(7,400)	86,093	159,000	(72,907)
Greystone EAFE Plus Fund	29,723	279,739	56,000	223,739
Total Pooled Funds		$ 1,500,054	$ 1,492,517	$ 7,537

Summary of Investment Transactions	
Decrease in Pooled Funds	$ 7,537
Total Investment Transactions	7,537
Investments, beginning of year	9,421,893
Market Value Adjustment	534,881
Investments, end of year (market value)	$ 9,964,311