PROVINCE OF SASKATCHEWAN

2011

ANNUAL REPORT

SASKATCHEWAN LIQUOR BOARD SUPERANNUATION COMMISSION

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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 Saskatchewan Liquor Board Superannuation Commission for the year ending December 31, 2011.

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, 2011, 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 2011 business plan activities and accomplishments, and the Plan's future objectives and goals.

In 2009, the Commission adopted a 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 -1.59 per cent return in 2011. The Fund's rolling 4-year average was 1.17 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 2011 Annual Report of the Saskatchewan Liquor Board Superannuation Commission.

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, 2011.

Mission

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

Table 1.2 shows the number of active and retired employees in the Plan as of the most recent and 2010 year-ends.

Liquor Board Superannuation Commission Members	
Brian Smith	Chair
Barry Lacey	Member
Vacant	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.

Active and Retired Employees	December 31, 2011	December 31, 2010
Active Employees	12	19
Inactive Members	2	3
Retired Employees*	209	206
Totals	**223**	**228**

*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 2011

- Retire*With*Ease, the Plan's retirement planning information 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 9, 2011.

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 2011

- The Commission reviewed and approved the Business Plan for the period 2010 to 2014 at its March 2011 meeting.
- The Commission approved its updated Governance Manual at its October 2011 meeting.
- The Commission reviewed and signed its Code of Conduct and Conflict of Interest Procedures at its October 2011 meeting.
- The Commission reviewed and approved the Governance Self-Assessment Questionnaire at its November 2011 meeting. The questionnaire is available on the Plan website under Plan Governance.
- The Commission received the PEBA Quarterly Administration Report for the 2011 periods ending March 31, September 30, and December 31 at its Board meetings in October 2011, November 2011 and March 2012, respectively. The Board received the report for the period ending June 30, 2011 via e-mail. The Administration Report provides the Board with updates in regard to the financial statements, budget, Plan administration, PEBA administration, and PEBA risk management activities.

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 2011

- The Liquor Board Superannuation Commission Annual Report for the period ending December 31, 2010 was tabled with the Legislative Assembly of Saskatchewan on April 14, 2011. 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 November 2011. The SIP&G is available on the Plan website under Investment Policies.
- The Governance Self-Assessment Questionnaire, as approved at the Commission's November 2011 meeting is available on the Plan website under Plan Governance.
- The Commission evaluated the performance of its actuary in March 2011, and the performance of its investment consultant was reviewed in November 2011.

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.
- The Commission will continue to receive periodic evaluations by the Commission's administrator of the performance of the actuary and investment consultant.

Initiatives

4. Risk Management

The risks facing the Plan are identified and 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 2011

- The Commission approved its 2010 Risk Management Review and 2011 Risk Management Plan at the meeting in March 2011.
- The Commission received notification that the latest version of PEBA's Business Continuity Plan and Disaster Recovery Plan was filed with its Executive Secretary on January 11, 2011.
- The Commission received confirmation at its meeting in November 2011 that all of its service providers adhere to a code of conduct and conflict of interest policy, and that all have a Business Continuance Plan in place.

Activities Planned Through to 2014

- In 2013, 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.

Contributions to the Plan

Employee contributions to the Plan during the year totaled $29,848 compared to $58,553 for the previous Plan year.

Retirement Summary		
	December 31, 2011	**December 31, 2010**
Attained Age 65	-	-
Attained Age 60 - No Reduction	-	1
Attained 35 Years of Service	7	8
Age 55 and 30 Years Service - Reduced Pension	-	1
Ill Health Pensions	-	-
Deferred Allowances now Payable	1	-
Early Retirement Allowances	-	-
Totals	8	10

Table 1.3

Death Benefit Summary		
	December 31, 2011	**December 31, 2010**
Employee Survivor Pension	-	-
Employee Cash Benefit	-	-
Superannuate Survivor Pension	5	4
Superannuate Cash Benefit	-	-
Totals	5	4

Table 1.4

Termination of Employment Summary		
	December 31, 2011	**December 31, 2010**
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% 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, 2011 is in Table 1.7:

Performance History		
	1-Year Return	**Rolling 4 Year Average**
Fund's Return	(1.59%)	1.17%
Benchmark Return	1.65%	2.22%

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 6.00%. 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	4.30%	5.10%
Interest Rate	6.00%	6.25%
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 UP1994 with generational projections).

Cash Flow Forecast	
Year	**Net Cash Outflows (000's)**
2012	$305
2013	$330
2014	$325
2015	$319
2016	$314
Total next 5 Years	$1,593
Total 5-10 Years	$1,469
Total 11-30 Years	$5,300

Table 1.9

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 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 (IFRSs) 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 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

A. Mackrill

Ann Mackrill
Executive Director, Pension Programs
Public Employees Benefits Agency

Kara Marchand

Kara Marchand, CMA
Director, Corporate Services
Public Employees Benefits Agency

Regina, Saskatchewan
March 27, 2012

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, 2011. Aon Hewitt was further retained to extrapolate the results of this valuation to December 31, 2011.

The valuation and extrapolation were based on:

- Membership data provided by the Commission as at September 30, 2011;
- Asset data provided by the Commission as at December 31, 2011;
- 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 27, 2012

Liquor Board Superannuation Commission
Liquor Board Superannuation Plan

Financial Statements

Year Ended December 31, 2011

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 Financial Position as at December 31, 2011 and December 31, 2010, the Statement of Changes in Net Assets Available for Benefits and Changes in Pension Obligations for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian 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 Plan as at December 31, 2011 and December 31, 2010 and the changes in net assets available for benefits and changes in pension obligations for the years then ended in accordance with Canadian accounting standards for pension plans.

Regina, Saskatchewan
March 27, 2012

Bonnie Lysyk, MBA, CA
Provincial Auditor

Liquor Board Superannuation Commission — Statement 1

Liquor Board Superannuation Plan
Statement of Financial Position

As at December 31

ASSETS	**2011** (000`s)	**2010** (000`s)	**January 1, 2010** (000`s) (Note 3)
Due from General Revenue Fund (Note 6)	$ 11	$ 62	$ 163
Investments			
Pooled Funds (Note 4)	10,214	9,964	9,422
Receivables			
Employees’contributions	1	2	1
Employer’s contributions	3	11	4
Other	1	1	-
Total assets	10,230	10,040	9,590
LIABILITIES			
Accounts payable and accrued liabilities	21	7	7
Total liabilities	21	7	7
NET ASSETS AVAILABLE FOR BENEFITS (Statement 2)	10,209	10,033	9,583
Pension obligations (Statement 3)	61,723	57,434	54,205
Unfunded liability	$51,514	$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

	2011 (000's)	2010 (000's)
INCREASE IN ASSETS		
Investment income		
Interest	$ 3	$ 2
Pooled Funds	330	359
	333	361
Increase in market value of investments	-	535
Contributions		
Employees'	30	59
Employer's (Note 1c)	4,405	3,219
Total increase in assets	4,768	4,174
DECREASE IN ASSETS		
Superannuation allowances	4,030	3,646
Decrease in market value of investments	477	-
Administration expenses (Note 10)	85	78
Total decrease in assets	4,592	3,724
Increase in net assets	176	450
NET ASSETS AVAILABLE FOR BENEFITS, beginning of year	10,033	9,583
NET ASSETS AVAILABLE FOR BENEFITS, end of year - to Statement 1	$ 10,209	$ 10,033

(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

	2011 (000's)	2010 (000's)
PENSION OBLIGATIONS, beginning of year	$ 57,434	$ 54,205
INCREASE IN PENSION OBLIGATIONS		
Interest on accrued obligations	2,833	3,052
Obligations accrued	154	275
Net loss due to change in assumptions (Note 5)	5,332	3,947
Net experience loss	150	-
	8,469	7,274
DECREASE IN PENSION OBLIGATIONS		
Obligations paid	4,030	3,646
Gain due to indexing (Note 5)	150	399
	4,180	4,045
PENSION OBLIGATIONS, end of year – to Statement 1	$61,723	$ 57,434

(See accompanying notes to the financial statements)

Liquor Board Superannuation Plan
Notes to the Financial Statements

December 31, 2011

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. In addition, the employer has been providing special funding to cover the unfunded liability in the Plan. In 2011, the employer provided special funding of $4,265,000 (2010 - $2,957,690).

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. Basis of Preparation

a) Statement of compliance

The financial statements for the year ended December 31, 2011 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.

The Plan's financial statements were previously prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP). While previous Canadian GAAP differs in some areas from Section 4600 and IFRS, there were no differences that affected the financial statements of the Plan.

These financial statements were authorized and issued by the Commission on March 27, 2012.

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

Effective January 1, 2011, the financial statements have been prepared in accordance with Canadian accounting standards for pension plans as outlined in the CICA Handbook, Section 4600, *Pension Plans*. These standards were required to be adopted with retrospective restatement. The transition to the new standards did not result in any changes to prior year figures. The opening statement of financial position in accordance with Section 4600 as of January 1, 2010 has been disclosed for comparative purposes.

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) **New standards and interpretations not yet adopted**

A number of new standards and amendments to standards and interpretations are not yet effective for the year ended December 31, 2011 and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Plan.

4. 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)	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Greystone Fixed Income Fund	398	403	0.73	0.82	$ 4,280	$4,155	$ 393	$ 304
Greystone Canadian Equity Fund	100	92	0.12	0.12	2,113	2,345	(344)	366
Greystone EAFE Plus Fund	-	196	-	0.09	-	1,502	(184)	50
Greystone EAFE Growth Fund	172	-	0.10	-	1,339	-	(13)	-
Greystone EAFE Quantitative Fund	-	-	-	-	-	-	(17)	-
Greystone US Equity Fund	157	136	0.95	0.90	1,639	1,420	13	172
Greystone Money Market Fund	84	54	0.28	0.24	843	542	5	2
					$10,214	$9,964	$(147)	$ 894

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.

5. Pension Obligations

An actuarial valuation of the Liquor Board Superannuation Plan was performed as at September 30, 2011 and extrapolated to December 31, 2011 by Aon Hewitt. The actuary used the projected benefit method prorated on services to determine the actuarial present value of pension obligations. The next triennial valuation is due September 30, 2014.

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 5.10 % to 4.30% resulting in an increase in the pension obligations. In addition, the mortality improvements in the 1994 Uninsured Pensioner Mortality Table have been changed to a generational projection, as compared to 2020 for the previous extrapolation. This change also increased the pension obligations.

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

	2011	**2010**
Salary escalation rate	3.50%	3.50%
Inflation rate	2.50%	2.50%
Discount rate	4.30%	5.10%
Mortality table	1994 UPM with generational projection	1994 UPM (Projected to 2020)
EARSL	0.2	1.4
Expected long-term rate of return	6.00%	6.25%

The following illustrates the effect of changing certain assumptions from assumed rates of: inflation 2.50%, salary 3.50% and discount rate 4.30%.

	Long-Term Assumptions					
	Inflation*		Salary		Discount Rate	
	3.5%	1.5%	4.5%	2.5%	5.3%	3.3%
(Decrease) increase in liability	(2.5%)	2.6%	0.0%	(0.0%)	(9.9%)	12.0%

* 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 loss due to the change in assumptions is due to the change in discount rate from 5.1% to 4.3% and the change in mortality table.

The net experience loss is due to mortality experience being lower than expected, salary increases being higher than expected offset by retirement experience being less than expected, and methodology and timing differences between the financial statements and the valuation report.

The net experience gain is due to the indexing being lower 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 6.00% and employer contributions calculated as 80.4% 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.

			($000's)	
	Contributions	Benefits Paid	Investment Return	Net Cash Outflow
2012	3,701	4,592	586	305
2013	3,682	4,579	567	330
2014	3,579	4,452	548	325
2015	3,477	4,325	529	319
2016	3,384	4,209	511	314
Total next 5 years	17,823	22,157	2,741	1,593
Total 5-10 years	15,419	19,179	2,291	1,469
Total 11-30 years	43,016	53,502	5,186	5,300
Total 31-50 years	10,100	12,560	627	1,833

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 2011 was 1.05% (2010 – 0.60%).

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 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, 2011 is limited to the carrying value of the financial assets summarized as follows:

	($000's)	
	2011	**2010**
Due from the General Revenue Fund	$ 11	$ 62
Accounts receivable	5	14
Fixed income investments[1]	5,123	4,697

[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.

<u>Interest rate risk</u>

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 $0.26 million at December 31, 2011, representing 6.0% of the $4.3 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, 2011, the Plan's exposure to U.S. equities was 16.1% (2010 – 14.3%) and its exposure to Non-North American equities was 13.1% (2010 – 15.0%).

At December 31, 2011, a 10 % change in the Canadian dollar versus U.S. dollar exchange rate would result in approximately a $0.16 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 $0.13 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 49.8% (2010 – 52.9%) 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, 2011:

	(Change in $000's)	
	10% increase	10% decrease
S&P/TSX Composite Index	$ 211	$ (211)
S&P 500 Index	164	(164)
MSCI EAFE Index	134	(134)

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 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	
	2011	2010	2011	2010
Plan's actual rate of return (a)	(1.59)%	10.2%	1.17%	2.4%
Plan’s Target rate of return (b)	1.65%	8.7%	2.22%	2.2%

(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 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.

10. Administration Expenses

($000’s)

	2011		2010
	Budget	**Actual**	**Actual**
Administration - PEBA Revolving Fund	$83	$62	$57
Investment management fees – Greystone*	22	23	21
	$105	$85	$78

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

11. 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 5).

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

12. Capital Management

The Plan receives new capital from employee and employer contributions. The Plan also benefits from income and market value increase on its invested capital. The Plan’s capital is invested in a number of pooled funds including equity funds, fixed income fund, and money market fund. The Commission has delegated the operational investment decisions to Greystone Managed Investments Inc. as defined in the Plan’s Statement of Investment Policy and Procedures.

Liquor Board Superannuation Commission

Liquor Board Superannuation Plan — Exhibit 1
Schedule of Investments (Unaudited)

Year ended December 31, 2011

Security	Market Value
Pooled Funds	
Greystone Managed Investments Canadian Equity Fund	$ 2,112,889
Greystone Managed Investments Fixed Income Fund	4,280,023
Greystone Managed Investments Money Market Fund	843,490
Greystone Managed Investments US Equity Fund	1,639,045
Greystone Managed Investments EAFE Plus Fund	1,338,926
Total Long Term Investments	$ 10,214,373

Liquor Board Superannuation Commission

Liquor Board Superannuation Plan
Schedule of Investments (Unaudited)

Exhibit 2

Year ended December 31, 2011

	Units	Purchases	Disposals	Market Value
Pooled Funds				
Greystone Canadian Equity Fund	7,829	$ 370,149	$ 216,000	$ 154,149
Greystone Fixed Income Fund	(4,578)	679,198	734,031	(54,833)
Greystone Money Market Fund	30,172	659,198	357,478	301,720
Greystone US Equity Fund	21,541	320,405	92,100	228,305
Greystone EAFE Plus Fund	(195,588)	86,434	1,364,698	(1,278,264)
Greystone EAFE Growth Fund	171,767	1,353,220		1,353,220
Greystone EAFE Quantitative Fund	-	653,311	630,373	22,938
Total Pooled Funds		$ 4,121,915	$ 3,394,680	$ 727,235

Summary of Investment Transactions	
Decrease in Pooled Funds	$ 727,235
Total Investment Transactions	727,235
Investments, beginning of year	9,964,311
Market Value Adjustment	(477,173)
Investments, end of year (market value)	$ 10,214,373