PROVINCE OF SASKATCHEWAN

2012

ANNUAL REPORT

SASKATCHEWAN LIQUOR BOARD SUPERANNUATION COMMISSION

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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, 2012.

Donna Harpauer
Minister Responsible for the Saskatchewan Liquor and Gaming Authority

The Honourable Donna Harpauer
Minister Responsible for the Saskatchewan Liquor and Gaming Authority

On behalf of the Saskatchewan Liquor Board Superannuation Commission, I have the honour of submitting the Annual Report of the Saskatchewan Liquor Board Superannuation Commission for the year ending December 31, 2012, 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 2012 business plan activities and accomplishments, and the Plan's future objectives and goals.

In 2012 the Commission adopted new Operational Goals and Objectives for the administration of the Plan. The Operational Goals and Objectives is comprised of three goals: Financial Management, Service Delivery and Communications, and Performance Measurement.

The Liquor Board Superannuation Fund (the Fund) posted a 7.78 per cent return in 2012. The Fund's rolling 4-year average was 7.20 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 2012 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, 2012.

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
Ed Collins	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 2011 year-ends.

Active and Retired Employees		
	December 31, 2012	**December 31, 2011**
Active Employees	8	12
Inactive Members	2	2
Retired Employees*	201	207
Totals	**211**	**221**

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

Table 1.2

Initiatives

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

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

The Operational Goals and Objectives is comprised of three goals:

1. **Financial Management**
   The Commission provides sound financial management of the Plan.

2. **Service Delivery and Communications**
   The Commission provides excellent service to the members of the Liquor Board Superannuation Plan.

3. **Performance Measurement**
   The Commission evaluates the performance of the Plan's service providers.

Initiatives

1. Financial Management

The Commission provides sound financial management of 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.

Financial Management Activities

Objectives

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

Activities accomplished in 2012

- The Commission has discussed changes to its SIP&G that address a long-term strategy for investment of the Liquor Board Superannuation Fund's assets.
- Independent confirmation of investment manager compliance with the Commission's SIP&G was reported to the Commission at its March, September and November 2012 meetings.
- The actuarial extrapolation for the year ending December 31, 2011 was prepared for the Liquor Board Superannuation Plan.
- PEBA verified the accuracy of the data used by the actuary and also verified the reasonability of the gain/loss analysis.
- The Commission approved its 2012-13 budget at its meeting on March 26, 2012.
- The Commission received quarterly updates on its budget for the periods ending March 31, June 30, September 30 and December 31, 2012.

Initiatives

2. Service Delivery and Communications

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

Service Delivery and Communications Activities

Objectives

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

Activities accomplished in 2012

- The Commission reviewed the audit of the Plan for the 2011 year provided by the Provincial Auditor Saskatchewan (PAS) on September 19, 2012. In its opinion, PAS stated, for the year ended December 31, 2011:
  - The Commission's financial statements were reliable;
  - The Commission had adequate rules and procedures to safeguard public resources except for the matter described below; and
  - The Commission complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing and investing except for the matter described below.

Activities accomplished in 2012 (continued)

- The auditor report stated the Commission's control was effective, in all material respects, except that the Commission has not established rules and procedures to ensure that all retired members who are receiving pensions and working for the Government are paid in accordance with The Superannuation (Supplementary Provisions) Act
- The member booklet is available on the PEBA website.
- Retire*With*Ease retirement planning workshops were held throughout Saskatchewan in 2012. These workshops are available to Plan members who wish to attend these sessions.
- The Plan's website is reviewed regularly and items are added or amended as required.
- The 2012 Member Statements were issued on June 8, 2012.
- The Commission's 2011 Annual Report was tabled in the Saskatchewan Legislature on April 18, 2012 prior to the deadline for tabling.
- A review of the Commission's governance structure was undertaken in the summer of 2012. The recommendations were reported to and approved by the Minister Responsible for the Saskatchewan Liquor and Gaming Authority. The final report is available on the Public Employees Benefits Agency website.

Initiatives

3. Performance Measurement

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

Performance Measurement Activities

Objectives

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

Activities accomplished in 2012

- The Commission reviewed the investment manager performance report at its meetings on March 27, 2012 and September 19, 2012.
- The Commission reviewed the performance of its actuary on March 27, 2012 and the performance of its investment consultant on November 26, 2012.
- The Commission received quarterly reports on administration performance from the Public Employees Benefits Agency for the periods ending March 31, June 30, September 30, and December 31, 2012.

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 $8,203 compared to $29,848 for the previous Plan year.

Retirement Summary		
	December 31, 2012	**December 31, 2011**
Attained Age 65	-	-
Attained Age 60 - No Reduction	-	-
Attained 35 Years of Service	4	7
Age 55 and 30 Years Service - Reduced Pension	-	-
Ill Health Pensions	-	-
Deferred Allowances now Payable	-	1
Early Retirement Allowances	-	-
Totals	4	8

Table 1.3

Death Benefit Summary		
	December 31, 2012	**December 31, 2011**
Employee Survivor Pension	-	-
Employee Cash Benefit	-	-
Superannuate Survivor Pension	4	5
Superannuate Cash Benefit	-	-
Totals	4	5

Table 1.4

Termination of Employment Summary		
	December 31, 2012	**December 31, 2011**
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, 2012 is in *Table 1.7*:

Performance History		
	1-Year Return	**Rolling 4 Year Average**
Fund's Return	7.78%	7.20%
Benchmark Return	7.29%	7.53%

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 5.75%. 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	3.70%	4.30%
Interest Rate	5.75%	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 UP1994 with generational projections).

Cash Flow Forecast	
Year	**Net Cash Outflows (000's)**
2013	$342
2014	$336
2015	$329
2016	$325
2017	$318
Total next 5 Years	$1,650
Total 5-10 Years	$1,473
Total 11-30 Years	$5,394

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

Regina, Saskatchewan
March 26, 2013

Actuaries' Opinion

Aon Hewitt was retained by the Liquor Board Superannuation Commission (the Commission) to perform an actuarial valuation of the pension obligations 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, 2012.

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, 2012;
- 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 pension obligations for the Plan's financial statements contained in the Annual Report represent management's best estimate of future events, and while in our opinion these assumptions are not unreasonable, the Plan's future experience will differ from the actuarial assumptions. Emerging experience differing from the assumptions will result in gains or losses that will be revealed in future valuations, and will affect the financial position of the Plan.

We have tested the data for reasonableness and consistency with prior valuations and in our opinion the data are sufficient and reliable for the purposes of the 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 26, 2013

Liquor Board Superannuation Commission
Liquor Board Superannuation Plan

Financial Statements

Year Ended December 31, 2012

PROVINCIAL AUDITOR
of Saskatchewan

Independent Auditor's Report

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Liquor Board Superannuation Plan, which comprise the Statement of Financial Position as at December 31, 2012 and the Statement of Changes in Net Assets Available for Benefits and Changes in Pension Obligations for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Liquor Board Superannuation Plan as at December 31, 2012 and the changes in net assets available for benefits and changes in pension obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

Regina, Saskatchewan
March 26, 2013

Bonnie Lysyk, MBA, CA
Provincial Auditor

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Liquor Board Superannuation Commission

Statement 1

Liquor Board Superannuation Plan
Statement of Financial Position

As at December 31

	2012	2011
ASSETS	(000`s)	(000`s)
Due from General Revenue Fund (Note 6)	$ 30	$ 11
Investments		
Pooled Funds (Note 4)	9,915	10,214
Receivables		
Employees'contributions	-	1
Employer's contributions	236	3
Other	1	1
Total assets	10,182	10,230
LIABILITIES		
Accounts payable and accrued liabilities	12	21
Total liabilities	12	21
NET ASSETS AVAILABLE FOR BENEFITS (Statement 2)	10,170	10,209
Pension obligations (Statement 3)	64,341	61,723
Deficit	$54,171	$51,514

(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

	2012 (000's)	2011 (000's)
INCREASE IN ASSETS		
Investment income		
Interest	$ 3	$ 3
Pooled Funds	294	330
	297	333
Increase in market value of investments	453	-
Contributions		
Employees'	8	30
Employer's (Note 1c)	3,430	4,405
Total increase in assets	4,188	4,768
DECREASE IN ASSETS		
Superannuation allowances	4,130	4,030
Decrease in market value of investments	-	477
Administration expenses (Note 10)	97	85
Total decrease in assets	4,227	4,592
(Decrease)/Increase in net assets	(39)	176
NET ASSETS AVAILABLE FOR BENEFITS, beginning of year	10,209	10,033
NET ASSETS AVAILABLE FOR BENEFITS, end of year (Statement 1)	$ 10,170	$ 10,209

(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

	2012 (000's)	2011 (000's)
PENSION OBLIGATIONS, beginning of year	$ 61,723	$ 57,434
INCREASE IN PENSION OBLIGATIONS		
Interest on accrued obligations	2,567	2,833
Obligations accrued	43	154
Net loss due to change in assumptions (Note 5)	4,027	5,332
Net experience loss (Note 5)	111	150
	6,748	8,469
DECREASE IN PENSION OBLIGATIONS		
Obligations paid	4,130	4,030
Gain due to indexing	-	150
	4,130	4,180
PENSION OBLIGATIONS, end of year (Statement 1)	$ 64,341	$ 61,723

(See accompanying notes to the financial statements)

Liquor Board Superannuation Plan
Notes to the Financial Statements

December 31, 2012

1. Description of the Plan

a) General

The Liquor Board Superannuation Plan which is domiciled in Regina, Saskatchewan is a defined benefit final average pension plan established under *The Liquor Board Superannuation Act* (Act). The Act also established the Liquor Board Superannuation Fund to account for all transactions of the Plan. Membership is comprised of employees of the Liquor and Gaming Authority (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 2012, the employer provided special funding of $3,393,192 (2011 - $4,265,000).

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, 2012 have been prepared in accordance with Canadian accounting standards for pension plans as outlined in the Canadian Institute of Chartered Accountants (CICA) Handbook Section 4600, *Pension Plans.* For matters not addressed in Section 4600, International Financial Reporting Standards (IFRS) have been followed.

These financial statements were authorized and issued by the Commission on March 26, 2013.

b) Basis of measurement

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

c) Functional and presentation currency

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

3. Significant Accounting Policies

The significant accounting policies are as follows:

a) Basis of accounting

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

b) Investments

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

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

c) **Investment transactions and income**

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

d) **Use of estimates**

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

e) **Future accounting policy changes**

The following future changes to accounting standards will have applicability to the Plan:

Fair Value Measurement

In May 2011, the IASB published IFRS 13, Fair Value Measurement (IFRS 13). IFRS 13 replaces the fair value measurement guidance contained in various standards with a single source of fair value measurement guidance. This standard may impact the measurement of fair value for certain assets and liabilities as well as the associated disclosures.

IFRS 13 is applicable prospectively for annual periods beginning on or after January 1, 2013. Earlier application is permitted with disclosure of that fact. The Plan is in the process of assessing the impact of IFRS 13 on its financial statements.

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		% of Total Units Outstanding		Market Value		Investment Income and Change in Market Value	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
	(000’s)				(000’s)		(000’s)	
Greystone Fixed Income Fund	383	398	0.53	0.73	$ 4,107	$ 4,280	$ 164	$ 393
Greystone Canadian Equity Fund	102	100	0.13	0.12	2,256	2,113	150	(344)
Greystone EAFE Plus Fund	-	-	-	-	-	-	-	(184)
Greystone EAFE Growth Fund	164	172	0.12	0.10	1,475	1,339	229	(13)
Greystone EAFE Quantitative Fund	-	-	-	-	-	-	-	(17)
Greystone US Equity Fund	126	157	0.81	0.95	1,451	1,639	197	13
Greystone Money Market Fund	63	84	0.17	0.28	626	843	7	5
					$ 9,915	$10,214	$ 747	$(147)

The Greystone EAFE Growth Fund 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, 2012 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 4.30 % to 3.70% resulting in an increase in the pension obligations.

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

	2012	**2011**
Salary escalation rate	3.50%	3.50%
Inflation rate	2.50%	2.50%
Discount rate	3.70%	4.30%
Mortality table	1994 UPM with generational projection	1994 UPM with generational projection
EARSL	0.0	0.2
Expected long-term rate of return	5.75%	6.00%

The following illustrates the effect of changing certain assumptions from assumed rates of: inflation 2.50%, salary 3.50% and discount rate 3.70%.

	Long-Term Assumptions					
	Inflation*		Salary		Discount Rate	
	3.5%	1.5%	4.5%	2.5%	4.7%	2.7%
(Decrease) increase in pension obligation	(2.7%)	2.8%	0.0%	(0.0%)	(10.4%)	12.6%

* 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 4.3% to 3.7% and the change in mortality table.

The net experience loss is due to the indexing being higher 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 5.75% 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
2013	3,686	4,587	559	342
2014	3,583	4,459	540	336
2015	3,482	4,332	521	329
2016	3,388	4,216	503	325
2017	3,289	4,092	485	318
Total next 5 years	17,428	21,686	2,608	1,650
Total 5-10 years	14,909	18,550	2,168	1,473
Total 11-30 years	41,608	51,772	4,770	5,394
Total 31-50 years	8,830	10,988	514	1,644

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 2012 was 1.08% (2011 – 1.05%).

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, 2012 is limited to the carrying value of the financial assets summarized as follows:

	($000's)	
	2012	**2011**
Due from the General Revenue Fund	$ 30	$ 11
Accounts receivable	237	5
Fixed income investments[1]	4,733	5,123

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

Accounts receivable is primarily made up of special funding payments from the plan sponsor.

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, 2012, representing 6.3% of the $4.1 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, 2012, the Plan's exposure to U.S. equities was 14.6% (2011 – 16.1%) and its exposure to Non-North American equities was 14.9% (2011 – 13.1%).

At December 31, 2012, a 10 % change in the Canadian dollar versus U.S. dollar exchange rate would result in approximately a $0.15 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 52.3% (2011 – 49.8%) 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, 2012:

	(Change in $000's)	
	10% increase	10% decrease
S&P/TSX Composite Index	$ 226	$ (226)
S&P 500 Index	145	(145)
MSCI EAFE Index	147	(147)

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	
	2012	2011	2012	2011
Plan's actual rate of return (a)	7.78%	(1.59)%	7.20%	1.17%
Plan's Target rate of return (b)	7.29%	1.65%	7.53%	2.22%

(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)		
	2012		**2011**
	Budget	**Actual**	**Actual**
Administration - PEBA Revolving Fund	$93	$76	$62
Investment management fees – Greystone*	20	21	23
	$113	$97	$85

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

11. Fair Value of Financial Assets and Financial Liabilities

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

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

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

a) special funding 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 special funding provided by the employer. 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
Schedule of Investments (Unaudited)

Exhibit 1

Year Ended December 31, 2012

Security		Market Value
Pooled Funds		
Greystone Managed Investments Canadian Equity Fund	$	2,256,191
Greystone Managed Investments Fixed Income Fund		4,107,005
Greystone Managed Investments Money Market Fund		625,787
Greystone Managed Investments US Equity Fund		1,451,019
Greystone Managed Investments EAFE Growth Fund		1,474,528
Total Long Term Investments	$	9,914,530

Liquor Board Superannuation Commission

Liquor Board Superannuation Plan — Exhibit 2
Schedule of Investment Transactions (Unaudited)

Year Ended December 31, 2012

Pooled Funds	Units	Purchases	Disposals	Net
Greystone Canadian Equity Fund	1,867	$ 412,665	$ 361,100	$ 51,565
Greystone Fixed Income Fund	(14,881)	325,083	493,248	(168,165)
Greystone Money Market Fund	(21,770)	203,769	421,472	(217,703)
Greystone United States Equity Fund	(31,765)	48,407	412,100	(363,693)
Greystone EAFE Growth Fund	(7,273)	112,837	167,400	(54,563)
Total Pooled Funds		$ 1,102,761	$ 1,855,320	$ (752,559)

Summary of Investment Transactions	
Decrease in Pooled Funds	$ (752,559)
Total Investment Transactions	(752,559)
Investments, beginning of year	10,214,374
Market Value Adjustment	452,715
Investments, end of year (market value)	$ 9,914,530