

Public Employees Benefits Agency Revolving Fund



Annual Report for 2019-2020

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Letters of Transmittal



His Honour the Honourable Russ Mirasty, S.O.M., M.S.M.,
Lieutenant Governor of Saskatchewan

May it Please Your Honour:

I respectfully submit the Annual Report of the Public Employees Benefits Agency
Revolving Fund for the fiscal year ending March 31, 2020.

A handwritten signature in cursive script that reads "Donna Harpauer".

Donna Harpauer
Minister of Finance

The Honourable Donna Harpauer
Minister of Finance

Madam:

On behalf of the Public Employees Benefits Agency, I have the honour of
submitting the Annual Report of the Public Employees Benefits Agency Revolving
Fund for the fiscal year ending March 31, 2020.

A handwritten signature in cursive script that reads "Dave Wild".

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

Public Employees Benefits Agency Revolving Fund

Introduction

The Public Employees Benefits Agency Revolving Fund was established effective April 1, 1988. The authority for the Fund is contained in Section 65 of *The Financial Administration Act, 1993*.

The intent of the Fund is to account for the administration costs of the Public Employees Benefits Agency (PEBA). These costs are allocated to the following plans and programs as per Order in Council 540/2019 dated December 11, 2019:

Pension Funds

Anti-Tuberculosis League Employees Superannuation Plan
Capital Pension Plan
Judges of the Provincial Court Superannuation Plan
Liquor Board Superannuation Plan
Members of the Legislative Assembly Benefits
Municipal Employees' Pension Plan
Pension Plan for the Employees of the Saskatchewan Workers' Compensation Board
Public Employees Pension Plan
Public Service Superannuation Plan
Saskatchewan Pension Annuity Fund
Saskatchewan Transportation Company Employees Superannuation Plan
The Power Corporation Superannuation Plan

Employee Benefit Funds

Additional Pension Contribution Program
Crown Investments Corporation of Saskatchewan Benefits Plan
Extended Health Care Plan
Extended Health Care Plan for Certain Other Employees
Extended Health Care Plan for Certain Other Retired Employees
Extended Health Care Plan for Retired Employees
Government of Saskatchewan and Canadian Union of Public Employees Local No. 600-3 and Local No. 600-5 Benefit Plans' Surplus Fund
Government of Saskatchewan and Saskatchewan Government and General Employees' Union Benefit Plans' Surplus Fund
Government of Saskatchewan Scheduled Aircraft Plan
Government of Saskatchewan Unscheduled Aircraft Plan
Public Employees Deferred Salary Leave Plan

Public Employees Dental Plan
Public Employees Disability Income Plan
Public Employees Group Life Insurance Plan
Saskatchewan Government Insurance Service Recognition Plan
Saskatchewan Water Corporation Retirement Allowance Plan
SaskEnergy Retiring Allowance Plan
SaskPower Designated Employee Benefit Plan
SaskPower Millennium Plan
SaskPower Severance Pay Credits Plan
SaskPower Supplementary Superannuation Plan
SaskTel Retirement Gratuity Plan
Water Security Agency of Saskatchewan Retirement Allowance Plan

Administration

The Fund is managed by the Public Employees Benefits Agency, Ministry of Finance.

The costs incurred in the administration of the various plans and programs by PEBA are billed on a monthly basis.

Costs relating to a particular plan or program are allocated to that plan. All other costs are allocated to the plans and programs using a formula primarily based on time required to administer these plans and programs.

Financing

Subsection 65(12) of *The Financial Administration Act, 1993*, provides for the maximum accumulated net expenditure to be set by order of the Lieutenant Governor in Council. The maximum amount has been set at \$19,000,000 by Order in Council 559/2017.

Administration Costs

| | |
|------|--------------|
| 2020 | \$21,425,589 |
| 2019 | \$18,984,829 |
| 2018 | \$17,971,260 |
| 2017 | \$17,388,775 |

All costs are paid by the various plans and programs. Revenue and expenses will therefore equal, leaving the excess of revenues over expenditures a "nil" amount annually.

Management's Report

To the Members of the Legislative Assembly of Saskatchewan

As members of management of the Public Employees Benefits Agency Revolving Fund, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian public sector accounting standards applicable for governments.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

We believe the Public Employees Benefits Agency Revolving Fund has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian public sector accounting standards applicable for governments.

We enclose the financial statements of the Public Employees Benefits Agency Revolving Fund for the year ended March 31, 2020, and the Provincial Auditor's report on these financial statements.

Regina, Saskatchewan
July 22, 2020



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

Public Employees Benefits Agency Revolving Fund

**Financial Statements
Year Ended March 31, 2020**

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

Opinion

We have audited the financial statements of Public Employees Benefits Agency Revolving Fund, which comprise the statement of financial position as at March 31, 2020, and the statements of operations, changes in net debt, and changes in accumulated net expenditure for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Public Employees Benefits Agency Revolving Fund as at March 31, 2020, and the results of its operations, changes in its net debt, and changes in its accumulated net expenditure for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Public Employees Benefits Agency Revolving Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

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



Those charged with governance are responsible for overseeing the Public Employees Benefits Agency Revolving Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Public Employees Benefits Agency Revolving Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Public Employees Benefits Agency Revolving Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Public Employees Benefits Agency Revolving Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Regina, Saskatchewan
July 22, 2020

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**Public Employees Benefits Agency Revolving Fund
Statement of Financial Position**

Statement 1

As At March 31

| | <u>2020</u> | <u>2019</u> |
|--|-------------------|-------------------|
| Financial Assets | | |
| Accounts Receivable | \$ 2,973,652 | \$ 2,081,499 |
| Total Financial Assets | <u>2,973,652</u> | <u>2,081,499</u> |
| Liabilities | | |
| Accounts Payable and Accrued Liabilities | 3,299,465 | 4,100,565 |
| Accumulated Net Expenditure (Statement 4; Note 2b, Note 3) | <u>15,025,037</u> | <u>10,168,817</u> |
| Total Liabilities | <u>18,324,502</u> | <u>14,269,382</u> |
| Net Debt (Statement 3) | <u>15,350,850</u> | <u>12,187,883</u> |
| Non-Financial Assets | | |
| Prepaid Expenses | 895,069 | 1,005,818 |
| Tangible Capital Assets (Note 4) | <u>14,455,781</u> | <u>11,182,065</u> |
| Total Non-Financial Assets | <u>15,350,850</u> | <u>12,187,883</u> |
| Accumulated Surplus | <u>\$ -</u> | <u>\$ -</u> |

(See accompanying notes to the financial statements)

**Public Employees Benefits Agency Revolving Fund
Statement of Operations**

Statement 2

For The Year Ended March 31

| | 2020 | | 2019 |
|--|---------------------------|-------------------|-------------------|
| | Budget (Note 7) | Actual | Actual |
| Revenue | | | |
| Administration Fees | \$ 21,823,828 | \$ 21,425,589 | \$ 18,984,829 |
| Expenses | | | |
| Salaries and Benefits | 9,899,597 | 10,079,770 | 8,929,612 |
| Contractual Services | 6,394,584 | 6,292,160 | 5,906,181 |
| Amortization | 1,409,622 | 1,144,628 | 690,485 |
| Rent | 1,827,503 | 1,900,185 | 1,798,314 |
| Pension and Benefit Board Governance (Note 2f) | 713,968 | 521,086 | 452,268 |
| Postage and Communications | 606,491 | 682,015 | 567,857 |
| Supplies | 475,701 | 341,365 | 287,776 |
| Travel | 192,339 | 183,607 | 124,746 |
| Advertising/Printing | 271,769 | 254,554 | 214,035 |
| Business Expenses | 7,251 | 23,555 | 8,890 |
| Repairs and Maintenance | 25,003 | 2,664 | 4,665 |
| Total Expenses | <u>21,823,828</u> | <u>21,425,589</u> | <u>18,984,829</u> |
| Surplus | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

(See accompanying notes to the financial statements)

**Public Employees Benefits Agency Revolving Fund
Statement of Changes in Net Debt**

Statement 3

For The Year Ended March 31

| | 2020 | | 2019 |
|--|-----------------|---------------|---------------|
| | Budget | Actual | Actual |
| | (Note 7) | | |
| Net Debt, Beginning of Year | \$ 12,187,883 | \$ 12,187,883 | \$ 7,242,480 |
| Acquisition of Tangible Capital Assets (Note 4) | 1,688,305 | 4,418,344 | 5,590,947 |
| Amortization of Tangible Capital Assets (Note 4) | (1,409,622) | (1,144,628) | (690,485) |
| Disposal of Tangible Capital Assets (Note 4) | - | - | (55,498) |
| Net (Decrease)/Increase in Prepaid Expense | - | (110,749) | 100,439 |
| | 278,683 | 3,162,967 | 4,945,403 |
| Net Debt, End of Year (Statement 1) | \$ 12,466,566 | \$ 15,350,850 | \$ 12,187,883 |

(See accompanying notes to the financial statements)

**Public Employees Benefits Agency Revolving Fund
Statement of Changes in Accumulated Net Expenditure**

Statement 4

For The Year Ended March 31

| | <u>2020</u> | <u>2019</u> |
|--|------------------------|------------------------|
| Financing provided by (used in) operating activities: | | |
| Amortization of Tangible Capital Assets (Note 4) | \$ 1,144,628 | \$ 690,485 |
| Disposal of Tangible Capital Assets (Note 4) | - | 55,498 |
| (Increase)/Decrease in Accounts Receivable | (892,153) | 1,279,846 |
| (Decrease)/Increase in Accounts Payable | (801,100) | 1,322,452 |
| Decrease/(Increase) in Prepaid Expenses | <u>110,749</u> | <u>(100,439)</u> |
| Net financing (used in)/provided by operating activities | <u>(437,876)</u> | <u>3,247,842</u> |
| Financing used in investing activities: | | |
| Purchase of Tangible Capital Assets (Note 4) | <u>(4,418,344)</u> | <u>(5,590,947)</u> |
| Net financing used in investing activities | <u>(4,418,344)</u> | <u>(5,590,947)</u> |
| Net Increase in Financing Requirements | (4,856,220) | (2,343,105) |
| Accumulated Net Expenditure, Beginning of Year | <u>(10,168,817)</u> | <u>(7,825,712)</u> |
| Accumulated Net Expenditure, End of Year (Statement 1) | <u>\$ (15,025,037)</u> | <u>\$ (10,168,817)</u> |

(See accompanying notes to the financial statements)

**Public Employees Benefits Agency Revolving Fund
Notes to the Financial Statements**

March 31, 2020

1. Authority and Definition of Accounting Entity

The Public Employees Benefits Agency Revolving Fund (Revolving Fund) was established under Section 65 of *The Financial Administration Act, 1993* to account for the administration costs of the Public Employees Benefits Agency (PEBA). These costs are allocated to the various pension plans and benefit programs administered by PEBA in accordance with the policy described in Note 2(c).

2. Significant Accounting Policies

Pursuant to standards established by the Public Sector Accounting Board, the Revolving Fund is classified as a government component. These financial statements are prepared in accordance with Canadian public sector accounting standards. These financial statements do not present a Statement of Cash Flows because this information is readily apparent from the Statement of Changes in Accumulated Net Expenditure.

The following policies are considered significant:

a) Net Financing Requirements

The net financing requirement is the cash flow from (to) the General Revenue Fund (GRF). It represents the total annual financing requirements resulting from net capital acquisitions, working capital changes and net cash flow from operations.

b) Accumulated Net Expenditure

Expenditures of the Revolving Fund are made directly out of the GRF and receipts are deposited directly into the GRF. The excess of the accumulated net expenditures over accumulated receipts is the accumulated net expenditure balance or outstanding borrowing from the GRF.

The accumulated net expenditure of the Revolving Fund includes the aggregate of net financing requirements for all fiscal years resulting from the Revolving Fund's net capital acquisitions, changes in working capital and net cash flow from operations.

c) Revenue – Administration Fees

The costs incurred by PEBA in the administration of the various pension plans and benefit programs are billed on a monthly basis to these plans and programs, as follows:

- i) Costs directly relating to a particular pension plan or benefit program are charged to that plan or program.
- ii) All other costs are charged to the various pension plans and benefit programs using a formula primarily based on employees' time required to administer these plans and programs.

d) **Tangible Capital Assets**

Tangible capital assets are recorded at cost less accumulated amortization. Amortization is recorded commencing the year in which the assets are placed in service, on a straight-line basis, over their estimated useful lives as follows:

| | |
|----------------------------------|----------------------------|
| Computer hardware and software | 5 years |
| System development and furniture | 10 years |
| Leasehold improvements | over the term of the lease |

In 2020, work in progress assets include system development costs incurred for systems not yet placed into service and leasehold improvements related to an ongoing renovation.

e) **Use of Estimates**

These statements are prepared in accordance with Canadian public sector accounting standards. These standards require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, at the date of the financial statements and the reported amounts of revenue and expenses during the period. The amortization of tangible capital assets is subject to such estimates and assumptions. Actual results could differ from those estimates. Differences are reflected in current operations when identified.

f) **Pension and Benefit Board Governance**

The pension plans and benefit programs administered by PEBA are governed by various Boards and Commissions. Expenses incurred by PEBA on behalf of these governing bodies include honorariums, travel, training and consulting for initiatives related to the governance of the plans and programs. These expenses are recovered in accordance with Note 2 (c)(i).

3. Authorized Financing

Subsection 65(12) of *The Financial Administration Act, 1993* provides for the maximum accumulated net expenditure to be set by order of the Lieutenant Governor in Council. The maximum amount has been set at \$19,000,000 by Order in Council 559/2017.

4. Tangible Capital Assets

| | 2020 | | | | | | 2019 | |
|---|-------------------|-------------------|-------------------|---------------------|-------------------|---------------------|----------------------|----------------------|
| | Computer Hardware | Computer Software | Furniture | System Development | Leaseholds | Work in Progress | Total | |
| Opening Net Book Value of Tangible Capital Assets | <u>\$ 653,482</u> | <u>\$ 223,160</u> | <u>\$ 116,896</u> | <u>\$ 324,176</u> | <u>\$ 737,088</u> | <u>\$ 9,127,263</u> | <u>\$ 11,182,065</u> | <u>\$ 6,337,101</u> |
| Opening Costs of Tangible Capital Assets | 1,232,180 | 736,999 | 194,671 | 7,389,043 | 2,628,524 | 9,127,263 | 21,308,680 | 16,112,987 |
| Additions During Year | 110,468 | 88,565 | 10,824 | 265,683 | - | 3,942,804 | 4,418,344 | 5,590,947 |
| Disposals/ Transfers During Year | <u>(14,118)</u> | <u>131,661</u> | <u>-</u> | <u>5,339,408</u> | <u>-</u> | <u>(5,471,069)</u> | <u>(14,118)</u> | <u>(395,254)</u> |
| Closing Costs of Tangible Capital Assets | <u>1,328,530</u> | <u>957,225</u> | <u>205,495</u> | <u>12,994,134</u> | <u>2,628,524</u> | <u>7,598,998</u> | <u>25,712,906</u> | <u>21,308,680</u> |
| Opening Accumulated Amortization | 578,698 | 513,839 | 77,775 | 7,064,867 | 1,891,436 | - | 10,126,615 | 9,775,886 |
| Annual Amortization | 185,264 | 89,949 | 15,495 | 603,475 | 250,445 | - | 1,144,628 | 690,485 |
| Disposals During Year | <u>(14,118)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(14,118)</u> | <u>(339,756)</u> |
| Closing Accumulated Amortization | <u>749,844</u> | <u>603,788</u> | <u>93,270</u> | <u>7,668,342</u> | <u>2,141,881</u> | <u>-</u> | <u>11,257,125</u> | <u>10,126,615</u> |
| Net Book Value of Tangible Capital Assets | <u>\$ 578,686</u> | <u>\$ 353,437</u> | <u>\$ 112,225</u> | <u>\$ 5,325,792</u> | <u>\$ 486,643</u> | <u>\$ 7,598,998</u> | <u>\$ 14,455,781</u> | <u>\$ 11,182,065</u> |

5. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards, and commissions related to the Revolving Fund by virtue of common control by the Government of Saskatchewan, as well as key management personnel and their close family members. Additionally, the Revolving Fund is related to organizations where they have key management personnel and/or their close family members in common.

Expenses include \$2,272,551 (2019 - \$2,085,013) that the Ministry of Central Services incurred on PEBA's behalf for rent and certain administrative services provided to the Revolving Fund. The Revolving Fund bills the pension plans and benefit programs administered by PEBA in accordance with subsection 64(7) of *The Financial Administration Act, 1993*, to recover those expenses. Amounts received by the Revolving Fund relating to these costs are paid to the General Revenue Fund in accordance with subsection 65(11) of *The Financial Administration Act, 1993*. Services provided in the year ended March 31, 2020 will continue to be contracted for the following fiscal year.

Routine operating transactions with other related parties are recorded at agreed upon rates and are settled on agreed upon terms.

The Government of Saskatchewan holds the building lease for the Public Employees Benefits Agency. The Revolving Fund reimburses the Government of Saskatchewan for the cost of the lease. The lease payments for 2020-21 are expected to be \$1,950,963. The end date of the lease is March 31, 2026 and the payments are variable over the remaining term of the lease.

The following table summarizes the Revolving Fund's related party transactions.

| | <u>2020</u> | <u>2019</u> |
|--------------------------------------|---------------------|---------------------|
| Administration Fees (Statement 2) | \$ 21,425,589 | \$ 18,984,829 |
| Expenses: | | |
| Salaries and Benefits | 1,589,521 | 1,464,205 |
| Contractual Services | 540,980 | 443,387 |
| Rent | 1,880,758 | 1,768,447 |
| Postage and Communications | 592,178 | 548,307 |
| Supplies | - | 2,310 |
| Advertising | 1,663 | 1,093 |
| Pension and Benefit Board Governance | 100,543 | 31,103 |
| Travel | - | 2,211 |
| Repairs and Maintenance | 1,867 | 1,479 |
| Total Related Parties Expenses | <u>\$ 4,707,510</u> | <u>\$ 4,262,542</u> |

At year end, the following amounts were due to/from related parties as a result of the transactions referred to above:

| | <u>2020</u> | <u>2019</u> |
|--|--------------|--------------|
| Accounts receivable | \$ 2,964,972 | \$ 2,081,499 |
| Accounts payable and accrued liabilities | 1,038,263 | 417,555 |

6. Fair Value of Financial Assets and Financial Liabilities

The fair value of financial assets and financial liabilities approximates their carrying value due to their immediate or short-term nature. The Revolving Fund has no significant credit, liquidity or interest rate risk.

7. Budget

The various pension plan and benefit program boards approved their component of the annual budget. A copy of PEBA's annual budget was also submitted to Treasury Board.

8. Impact of COVID-19

The COVID-19 pandemic is complex and rapidly evolving. It has caused material disruption to businesses and has resulted in an economic slowdown. PEBA continues to assess and monitor the impact of COVID-19 on its financial condition. The magnitude and duration of COVID-19 is uncertain and, accordingly, it is difficult to reliably measure the potential impact on the Revolving Fund's financial position and operations.