



---

**2013**

---

**Annual Report  
Capital Pension Plan**

---

Overview .....	2
Message from the Chair .....	3
Message from the Executive Director .....	4
2013 Highlights - Defined Contribution Fund .....	5
2013 Highlights - Retirement Annuity Fund .....	7
Plan Membership .....	9
Plan Governance .....	10
Plan Administration .....	13
Risk Management .....	14
2013 Performance and Resource Management .....	15
Planning for 2014 .....	22
Service Providers .....	25
Comparative Benchmarks .....	26
Financial Statements .....	27

# Overview

**The Capital Pension Plan was established in 1976 as a defined contribution (money purchase) pension plan. The Plan's purpose is to provide a cost and tax effective method for employees to systematically save for retirement.**

Participating employers determine the eligibility criteria for their employees to become contributing members of the Plan pursuant to relevant legislative and regulatory requirements. Once enrolled, employees become members of the Capital Pension Plan. Participating employers and contributing members make required contributions based on a percentage of earnings subject to an annual maximum limit set by the Canada Revenue Agency.

Contributions made on behalf of a member are accepted into the Plan's Defined Contribution Fund and directed to an individual account in the member's name. These contributions are invested and accrue investment earnings over time.

The Capital Pension Plan offers two investment options within the Defined Contribution Fund. The Diversified Fund (the Plan's default investment fund) contains a bias towards equity holdings and is designed to provide long-term investment growth with moderate risk. Plan members who are within 5 years of their earliest possible retirement date and members participating in the Plan's Variable Benefit retirement income option may choose to decrease their investment risk exposure by participating in the Pre-Retirement Fund which is designed to preserve capital in the short-term.

At retirement, Plan members use the cumulative value in their Capital Pension Plan account to provide retirement income through various retirement income options as permitted in each jurisdiction (provincial or federal).

The Capital Pension Plan operates two retirement options, as permitted by the *Income Tax Act* (Canada). All members have the opportunity to receive guaranteed lifetime income by establishing a Life Annuity contract with the Capital Pension Plan. Plan members within the Saskatchewan jurisdiction also have the opportunity to receive flexible retirement income by establishing a Variable Benefit with the Capital Pension Plan.

The Retirement Annuity Fund (RAF) provides lifetime retirement annuities to Plan members. When a member purchases a life annuity an irrevocable contract is established based on the current annuity interest rate and group mortality tables. The contract provides for guaranteed lifetime income. The main investment objective of the Retirement Annuity Fund is to ensure assets are available to pay lifetime retirement annuities based on the terms of the established annuity contracts.

# Message from the Chair

**As Chair of the Capital Pension Plan Board, it is my pleasure to present this Annual Report and audited Financial Statements for the year ended December 31, 2013.**

Investment markets provided mixed returns in 2013. Equity markets experienced solid growth for the year. The S&P/TSX Index (Canadian equities) provided an annual return of 13.0%. The S&P 500 Index (U.S. equities) experienced stellar growth of 41.3% while the MSCI EAFE Index (Non-North American equities) provided an annual return of 31.0% for the year. Both returns are in Canadian dollars. The REALpac/IPD Canada Property Index, which is the benchmark for Canadian real estate, ended 2013 with a return of 7.7%.

Fixed income markets continued to be affected by low interest rates. The DEX Universe Bond Index (Canadian bonds) ended the year in negative territory with a return of -1.2%. The DEX 91-day T-Bills Index provided an annual return of 1.0%.

The Capital Pension Plan Diversified Fund's balanced portfolio ended 2013 with a solid annual rate of return of 16.12%, net of all investment management and administrative expenses. The long-term performance objective of the Diversified Fund is to provide a return that exceeds a benchmark return that is 3% above inflation over 10 years. With the 10-year inflation

rate at 1.7%, the Diversified Fund has exceeded this objective. As at December 31, 2013, the 10-year compound return for the Diversified Fund was 6.85%, compared to the 10-year benchmark return of 4.7%.

The Pre-Retirement Fund's money-market portfolio provided an annual rate of return of 0.86% net of all investment management and administrative expenses. The Pre-Retirement Fund continues to achieve its performance objective to preserve capital in the short-term.

The Capital Pension Plan works to maximize Plan member investment growth while managing costs. For 2013, the Plan's cost recovery strategy resulted in a management expense ratio (MER) of 0.38%, which remains low compared to similar retail investment funds.

In closing, I wish to thank my fellow Pension Board members for their dedication to the Plan's membership. I also wish to thank the Plan's administration staff for their commitment and hard work as we continue our efforts to be the preferred pension plan for members, employers and retirees.



---

Micheal J. McPherson  
Chair  
Capital Pension Plan Board

# Message from the Executive Director

As Executive Director of the Capital Pension and Benefits Administration, I wish to thank our Pension Board for their commitment to the Plan's membership.

Capital Pension Plan administration strives to provide quality and timely service to our Plan members. During 2013, staff responded to over 6,500 member inquiries within established response time guidelines.

## Retirement Annuity Fund Court Application

In 2013, the Capital Pension Plan was able to proceed with the final resolution of the Retirement Annuity Fund Court Application.

In late 2012, the Plan was notified that the appellant had decided to abandon his appeal. With the appeal at an end, the Plan was able to proceed with carrying out the Court directions in accordance with its original decision reached in 2009.

The Court's direction provided that the surplus amount to be distributed was the surplus value as at December 31, 2006, plus the interest accrued to the date of distribution, less applicable costs. As at December 31, 2012, the total amount of the surplus funds to be distributed was calculated at \$7,005,000.

The Court's direction stipulated that the surplus was to be distributed to employees of the employers that contributed to the surplus (i.e. contributing employers). Further, the surplus was to be distributed

to only those employees who were employed with one of the contributing employers on the relevant date determined by the Court. The Court determined the relevant date to be the **earlier** of the date the employer terminated participation in the Capital Pension Plan, or January 1st, 1994.

In total, 2,779 current and former Plan members were deemed eligible for a portion of the surplus distribution pursuant to the Court's direction. As at December 31, 2013, 2,395 eligible individuals had received payment of their portion of the surplus funds, representing a total of \$6.173 million of the surplus funds. Plan administration will continue with the distribution of the remainder of the surplus funds.

## Retirement Annuity Fund Ad Hoc Increase

The Pension Board also approved an ad hoc increase for retirees that purchased annuities from the Retirement Annuity Fund. The ad hoc increase will be applied to monthly annuity payments beginning January 2014.

The Capital Pension Plan looks forward to continuing to serve our Plan members and participating employers in 2014.



---

Ken Klein  
Executive Director  
Capital Pension & Benefits Administration

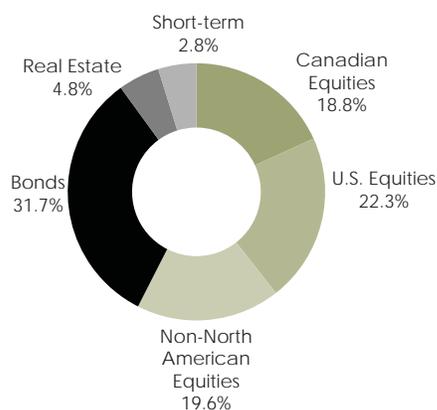
# 2013 Highlights - Defined Contribution Fund

(December 31st)

16.12%	Diversified Fund net annual return	1.19 billion total assets	0.38% management expense ratio
0.86%	Pre-Retirement Fund net annual return		

## Diversified Fund

### Asset Mix



### Asset Class Performance

(gross of fees and expenses)

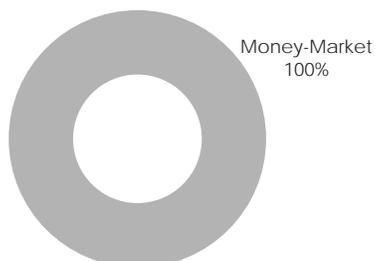
	1-year	4-year
Canadian Equities	19.3%	7.8%
U.S. Equities	37.6%	16.7%
Non-North American Equities	31.4%	11.7%
Bonds	-1.1%	4.8%
Real Estate	11.7%	11.5%

### Compound Rates of Return (net of fees and expenses)

1-year	2-year	3-year	5-year	10-year
16.12%	13.00%	8.58%	10.19%	6.85%

## Pre-Retirement Fund

### Asset Mix



### Asset Class Performance

(gross of fees and expenses)

	1-year	4-year
Money Market	1.1%	0.9%

### Compound Rates of Return (net of fees and expenses)

1-year	2-year	3-year	5-year	10-year
0.86%	0.87%	0.87%	0.68%	1.87%

# 2013 Highlights - Defined Contribution Fund

(December 31st)

## Investment Manager Performance - Greystone Managed Investments Inc.



Canadian Equities	U.S. Equities	Non-North American Equities	Bonds	Real Estate	Money Market
-------------------	---------------	-----------------------------	-------	-------------	--------------

	1-year			4-year		
	Return	Percentile <sup>1</sup>	Benchmark	Return	Percentile <sup>1</sup>	Benchmark
Canadian Equities	19.6%	50	13.0%	6.6%	87	6.8%
U.S. Equities	42.5%	41	41.3%	16.6%	33	16.3%
Non-North American Equities	28.4%	61	31.0%	7.5%	85	8.4%
Bonds	-0.9%	62	-1.2%	5.0%	51	4.6%
Real Estate	11.7%	n/a <sup>2</sup>	7.7%	11.5%	n/a <sup>2</sup>	12.1%
Money Market	1.1%	n/a <sup>2</sup>	1.0%	0.9%	n/a <sup>2</sup>	0.9%

## Investment Manager Performance - Connor, Clark & Lunn Investment Management Ltd.



Canadian Equities

	1-year			4-year		
	Return	Percentile <sup>1</sup>	Benchmark	Return	Percentile <sup>1</sup>	Benchmark
Canadian Equities	18.9%	51	13.0%	9.2%	35	6.8%

## Investment Manager Performance - State Street Global Advisors



U.S. Equities - Large Cap  
U.S. Equities - Mid-Cap  
Bonds

	1-year			4-year		
	Return	Percentile <sup>1</sup>	Benchmark	Return	Percentile <sup>1</sup>	Benchmark
U.S. Equities - Large Cap	33.1%	97	33.3%	15.5%	56	15.7%
U.S. Equities - Mid-Cap	34.7%	95	34.6%	19.2%	4	19.0%
Bonds	-1.2%	82	-1.2%	4.6%	97	4.6%

## Investment Manager Performance - Tweedy Browne Company, LLC



Non-North American Equities

	1-year			4-year		
	Return	Percentile <sup>1</sup>	Benchmark	Return	Percentile <sup>1</sup>	Benchmark
Non-North American Equities	29.4%	54	31.0%	13.5%	8	8.4%

<sup>1</sup> "Percentile" is the percentile ranking, which indicates where the return ranks within the universe of its peers on the Aon Hewitt Manager Universe. The ranking uses a scale of 1-100, with "1" being the top return within the universe of peers and "100" being the worst.

<sup>2</sup> A percentile is not available for real estate or money-market investments.

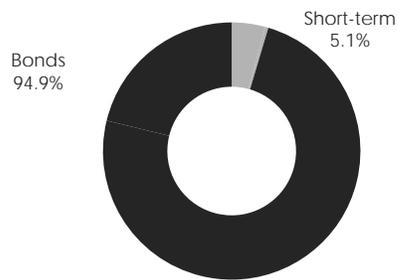
# 2013 Highlights - Retirement Annuity Fund

(December 31st)



## Retirement Annuity Fund

Asset Mix



Asset Class Performance

(gross of fees and expenses)

	1-year	4-year
Bonds	-2.6%	5.8%

# 2013 Highlights - Retirement Annuity Fund

(December 31st)

## Actuarial Opinion provided by Aon Hewitt as at December 31, 2013

Aon Hewitt was retained by the Capital Pension & Benefits Administration to perform actuarial valuations of the assets and liabilities of the Retirement Annuity Fund (the "Fund") on a funding basis as at December 31, 2013. The valuation of the Fund's actuarial assets and liabilities were based on:

- Membership and asset data provided by Capital Pension & Benefits Administration as at December 31, 2013; and
- Assumptions about future events (economic and demographic) which were developed by Aon Hewitt.

While the actuarial assumptions, used to estimate liabilities for the Fund are, in our opinion, reasonable, the Fund'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 Fund.

We have tested the data for reasonableness and consistency with prior valuations and in our opinion the data is sufficient and reliable for the purposes of the valuation. We are also of the opinion that the methods employed in the valuation and assumptions used are, in aggregate, appropriate. Our opinions have been given, and our valuation has been given, and our valuation has been performed in accordance with accepted actuarial practice.



---

Donald L. Ireland  
Fellow, Canadian Institute of Actuaries

February 5, 2014

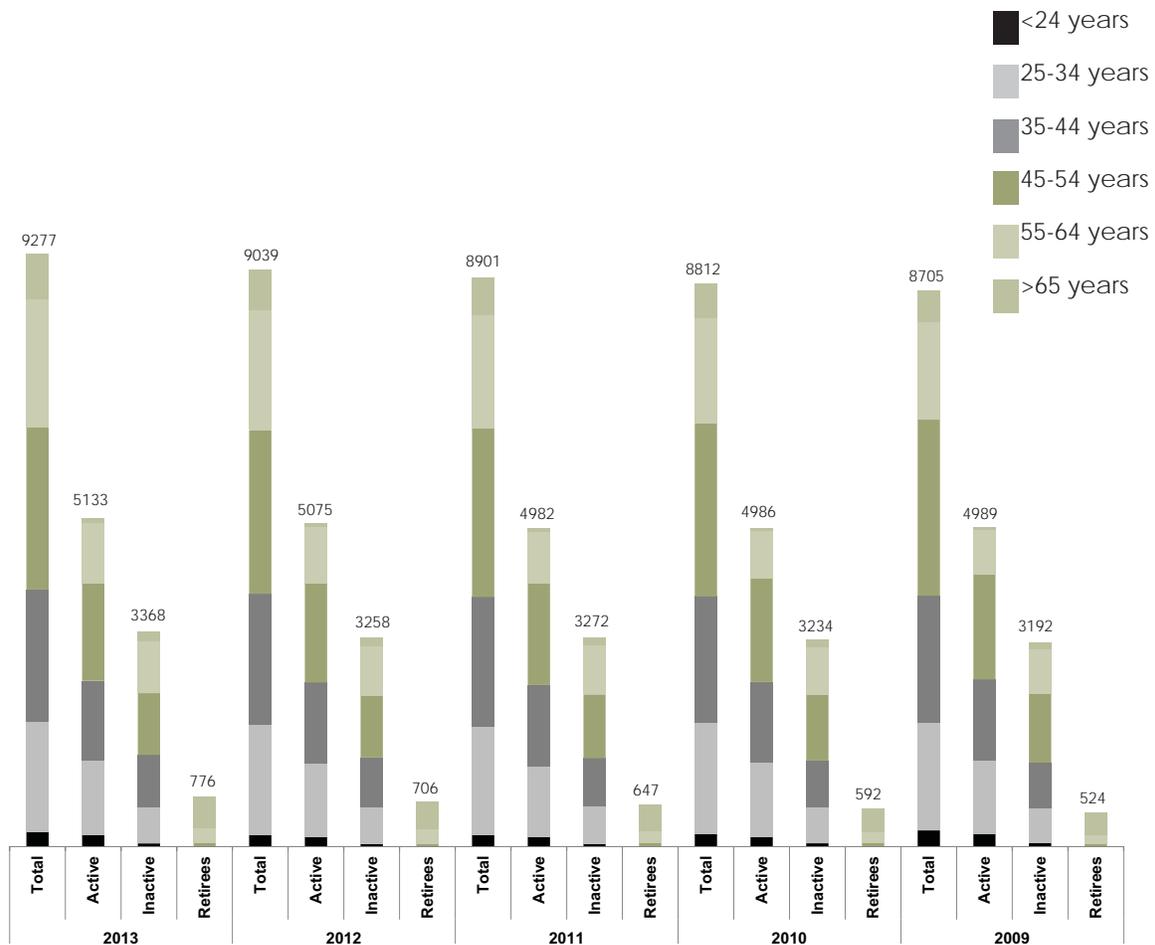
# Plan Membership

(December 31st)

Participating employers determine the eligibility criteria for their employees to become contributing members of the Plan pursuant to relevant legislative and regulatory requirements.

The Plan continues to experience modest membership growth as participating employers acquire new employees and many vested departing employees choose to remain with the Plan as inactive members. Many retiring members also remain with the Plan by choosing a Variable Benefit or Life Annuity retirement income option.

Age demographics are an important consideration in the determination of the Plan's investment strategy. As the Plan continues to trend towards an aging membership, the demographic composition of the membership is monitored to ensure the Plan's investment strategies remain appropriate.



# Plan Governance

**Crown Investments Corporation of Saskatchewan (CIC) is the Plan Sponsor. The Plan Sponsor holds the Plan's Funds in trust for the benefit of its members.**

The Plan Sponsor is also responsible for overall management of the pension plan in accordance with applicable laws, the terms and conditions of the Plan and its governance structure and processes. CIC appoints the Pension Board to act on its behalf to facilitate the operation of the Plan. The Pension Board composition is between five (5) and ten (10) persons, nominated by the twelve (12) largest participating employers as determined by active Plan membership. All Pension Board members must be contributing (i.e. active) members of the Plan. Pension Board members must possess characteristics and traits of integrity, accountability, informed judgement, financial literacy, mature confidence and commitment. The Pension Board hires industry professionals such as a custodian, investment consultant and actuary to provide expertise. Investment of the Plan's assets is delegated to professional investment managers under the supervision of the Pension Board. Compensation

for service on the Pension Board is restricted to reimbursement of actual costs and reasonable expenses for attending to Pension Board business.

Pension Board meetings are held at least once per fiscal quarter. Additional ad hoc Pension Board meetings are scheduled as required. The Pension Board establishes Committees to facilitate informed decision making and make recommendations regarding a course of action to the Pension Board. Committees have no authority to make binding decisions or incur expenses unless the Pension Board provides prior approval. Each Committee comprises three current Pension Board members. The Pension Board Chair serves as an ex-officio member of each Committee. Committee meetings are scheduled approximately ten (10) days prior to each quarterly Pension Board meeting. Additional ad hoc Committee meetings are scheduled as required.

# Plan Governance

## 2013 Pension Board

**Micheal J. McPherson, Chair**

Saskatchewan Housing Authorities  
Fellow, Certified Human Resources Professional  
Certified Security Professional  
Appointed: 1997

**Cindy Ogilvie, Vice-Chair**

Crown Investments Corporation of Saskatchewan  
Bachelor of Administration  
Chartered Accountant  
Appointed: 2005

**Keith Appleton**

Saskatchewan Abilities Council  
Bachelor of Commerce, Honours  
Appointed: 2009

**Gordon Dolney**

Yara Belle Plaine Inc.  
Certified Management Accountant  
Appointed: 2007

**Edward Helm**

Saskatchewan Government Insurance  
Certified Management Accountant  
Certified Compensation Professional  
Appointed: 2006

**Jeff Stepan**

Saskatchewan Government Insurance  
Bachelor of Administration, Chartered Accountant  
Chartered Financial Analyst  
Appointed: 2011

**David Olsen**

ISM Canada  
Bachelor of Science, Bachelor of Education,  
Information Services Professional, Information  
Technology Certified Professional  
Appointed: 2004

**Tim MacLeod**

Saskatchewan Government Insurance  
Bachelor of Arts, Bachelor of Law  
Queen's Counsel  
Appointed: 2007

**John Amundson**

Crown Investments Corporation of Saskatchewan  
Bachelor of Commerce  
Fellow Chartered Accountant  
Appointed: 2011

**Blaine Pilatzke**

Saskatchewan Gaming Corporation  
Appointed: 2010

# Plan Governance

## 2013 Pension Board Meetings

	Mar 13	Mar 20	Jun 12	Sep 11	Dec 5
Micheal McPherson	•	•		•	•
Cindy Ogilvie	•	•		•	•
David Olsen	•	•	•	•	
Edward Helm	•	•	•	•	•
Tim MacLeod	•	•	•	•	
Gordon Dolney	•	•	•		•
Blaine Pilatzke	•	•	•		•
Jeff Stepan		•	•	•	•
John Amundson	•	•	•	•	•
Keith Appleton	•	•	•	•	•

## 2013 Audit Committee Meetings

	Feb 26	Mar 8	Mar 27	May 29	Sep 4	Nov 26
Cindy Ogilvie, Chair	•	•	•	•	•	•
Edward Helm	•	•	•	•	•	
Gordon Dolney	•	•		•	•	•

## 2013 Governance Committee Meetings

	Feb 26	May 30	Aug 26	Nov 27
Tim MacLeod, Chair	•		•	•
Keith Appleton	•	•	•	•
Blaine Pilatzke	•	•	•	•

## 2013 Investment Committee Meetings

	Feb 25	May 27	Aug 26
Jeff Stepan, Chair	•	•	•
David Olsen	•	•	•
John Amundson	•	•	•

- in attendance

# Plan Administration

Plan administration is responsible for the day to day operation, administration and overall management of the Capital Pension Plan.

The Plan Sponsor has appointed the Executive Director of its Capital Pension and Benefits Administration division (CPBA) as Plan Administrator. The Plan Administrator makes application for the registration of the Plan and any amendments thereto with the appropriate authorities and ensures administrative procedures and regulations are in compliance with applicable laws and the terms and conditions of the Plan.

The Plan Administrator carries out his duties with honesty and in good faith in the best interest of Plan members and any other person(s) to whom a fiduciary duty is owed. The Plan Administrator provides assistance to the Pension Board and makes recommendations concerning the Plan's annual budget. The Plan is administered in accordance with applicable laws and the terms and conditions established in the Plan Text.

## Executive

**Ken Klein**

Executive Director  
Bachelor of Arts  
Fellow, Chartered Insurance Professional  
Certified Employee Benefits Specialist

**Stanley Jones**

Director, Pensions  
Certified Management Accountant  
Pension Plan Administration Certificate  
Retirement Plans Associate

## Administration

**Christine Taylor**

Director, Group Benefits

**Laura Thompson**

Staff Accountant

**Cheryl Viala**

Manager, Communications, Research & Development

**Sharon Strueby**

Staff Accountant

**Brad Hunt**

Manager, Accounting and Administration

**Arlene Stinson**

Executive Secretary

**Tracy Mack**

Pension & Benefits Coordinator

# Risk Management

## The Capital Pension Plan recognizes the importance of risk management to the Plan's governance responsibilities.

The Capital Pension Plan's enterprise risk management program supports the Plan's strategic plan as well as its mission, vision and values. The framework and policy were developed in 2012 and approved by the Pension Board in November of that year. The enterprise risk management framework is implemented on an annual basis at a minimum, but more often as required.

2013 was the first full year for implementation of the enterprise risk management framework. The top ten risks for the pension plan were identified. Upon review and assessment of the mitigating controls for these top risks, it was determined that all current

controls are operating efficiently and effectively. All residual risk rated "low" on the residual risk scale and it was determined that the appropriate residual risk response in all cases was to accept/monitor the residual risk.

Ongoing assessments will continue to be completed as required by Plan management. Plan administration staff are instructed to immediately report any gaps that are noted.

The next full assessment and evaluation of controls will be completed during the next annual planning process.

# 2013 Performance and Resource Management

Contributions made on behalf of Plan members are deposited to the Defined Contribution Fund. These contributions are invested and accrue investment earnings over time. Within the Defined Contribution Fund, the Plan operates two investment funds - the Diversified Fund and the Pre-Retirement Fund.

Administrative expenses are deducted on a cost recovery basis from Fund earnings prior to the calculation of each weekly unit value. For communication and comparison purposes, a management expense ratio (MER) is calculated annually by dividing the total cost of administration by the year end market value.

Defined Contribution Fund Net Assets Available for Benefits					
(\$C thousands)	2013	2012	2011	2010	2009
<b>Increase in Assets</b>					
Employer required contributions	19,832	18,683	17,541	16,619	16,251
Member required contributions	16,489	15,667	14,936	14,165	13,891
Member voluntary contributions	2,822	2,502	2,060	2,269	2,182
Transfers into the Fund	6,629	3,278	4,782	2,721	3,819
Investment income	29,437	25,464*	25,313*	26,015*	24,937 *
Change in fair value of investment	137,105	66,199*	(19,329)*	65,068*	83,875 *
	<b>212,314</b>	<b>131,793</b>	<b>45,303</b>	<b>126,857</b>	<b>144,955</b>
<b>Decrease in Assets</b>					
Investment management fees	3,188	2,724	2,623	2,487	2,031
General administration	1,332	1,315	1,360	1,346	1,351
Withdrawals/Transfers out	48,634	44,703	50,397	42,700	31,066
	<b>53,154</b>	<b>48,742</b>	<b>54,380</b>	<b>46,533</b>	<b>34,448</b>
Net change in assets	159,160	83,051	(9,077)	80,324	110,507
Net assets available (beginning of year)	1,036,332	953,281	962,358	882,034	771,527
Net Assets Available for Benefits**	<b>1,195,492</b>	<b>1,036,332</b>	<b>953,281</b>	<b>962,358</b>	<b>882,034</b>
*Restated to conform with the financial presentation adopted in the current year.					
**This amount represents the difference between the Defined Contribution Fund's assets and liabilities and is for the exclusive use of the Defined Contribution Fund members for providing retirement income.					
Defined Contribution Fund Administrative Expenses					
(\$C thousands)	2013	2012	2011	2010	2009
Investment management fees	3,188	2,724	2,623	2,487	2,031
General administration	1,332	1,315	1,360	1,346	1,351
Total	4,520	4,039	3,983	3,833	3,382
<b>Management Expense Ratio</b>	<b>0.38%</b>	<b>0.39%</b>	<b>0.42%</b>	<b>0.40%</b>	<b>0.38%</b>

# 2013 Performance and Resource Management

The Retirement Annuity Fund (RAF) provides lifetime retirement annuities to Plan members. When a member purchases a life annuity, an irrevocable contract is established based on the current annuity interest rate and group mortality tables.

The contract provides for guaranteed lifetime income. A management expense ratio (MER) is not calculated for the Retirement Annuity Fund. Once an annuity benefit is established, that benefit is not impacted by Fund expenses.

Retirement Annuity Fund Net Assets Available for Benefits					
(\$C thousands)	2013	2012	2011	2010	2009
<b>Increase in Assets</b>					
Transfers from Defined Contribution Fund	552	586	837	758	489
Investment income	1,509	1,572	1,586	1,545	1,897
Gain (loss) on sale of investments	724	288	136	(37)	(46)
Change in fair value of investment	(2,938)	(339)	2,237	1,823	(629)
	(153)	2,107	4,796	4,089	1,711
<b>Decrease in Assets</b>					
Investment management fees	40	44	42	41	39
General administration	206	136	113	102	97
Annuity payments	2,195	2,245	2,203	2,191	2,228
Increase (decrease) in provision for annuity obligation	1,778	489	1,579	1,148	2,241
Provision for payment to members of the Fund	43	77	78	39	49
	4,262	2,991	4,015	3,521	4,654
Change in net assets	(4,415)	(884)	781	568	(2,943)
Net assets available (beginning of year)	12,156	13,040	12,259	11,691	14,634
Net Assets Available for Benefits*	7,741	12,156	13,040	12,259	11,691
*This amount represents the difference between the Retirement Annuity Fund's assets and liabilities and is available to meet the payment obligations of annuitants.					
Retirement Annuity Fund Administrative Expenses					
(\$C thousands)	2013	2012	2011	2010	2009
Investment management fees	40	44	42	41	39
General administration	206	136	113	102	97
Total	246	180	155	143	136

# 2013 Performance and Resource Management

Beginning with the Plan's mission, vision and values, the following perspectives represent the performance objectives that the Plan worked to fulfill in 2013.

Mission	Vision	Values
We are a professionally managed, service oriented defined contribution pension plan committed to helping our members and retirees build and manage their retirement savings.	To be the preferred pension plan for members, employers and retirees.	The Capital Pension Plan is committed to integrity and professionalism in dealing with all stakeholders through prudent leadership, innovation and open, effective communication.

## Perspectives

### Financial

Recognizes that the financial performance of the Plan has a direct impact on members' ability to build and manage their retirement savings.

### Customer

Challenges the Plan to focus on service to members, participating employers and retirees with a commitment to integrity and professionalism and to provide open and effective communication.

### Retention

Challenges the Plan to retain participating employers, Plan members and their assets held in the Plan. This is accomplished by providing a service oriented team that is knowledgeable in the pension industry.

### Internal Operations

Challenges the Plan to ensure its fiduciary responsibility is upheld and that compliance measures are in place to ensure the integrity of the pension plan. This perspective challenges the Plan administrator to provide strategic direction for the pension plan and ensure the Plan is transparent in its operations. Plan administration staff are encouraged to develop pension industry knowledge and are empowered to make decisions within established policy guidelines to promote a professional service oriented team approach when dealing with all stakeholders.

# 2013 Performance and Resource Management

## 2013 Achievements

### Financial

Completed annual review of Statement of Investment Policies and Goals, including consideration of management structure and asset mix changes

Ensured managers understood their performance goals

Completed regular evaluations on investment manager performance

Maintained solvency ratio of  $\geq 1$  as reported in the actuarial valuation report for Retirement Annuity Fund

Operated within annual budget

### Customer

Met key performance indicators

Reviewed and revised the Plan member transaction fee structure

Investigated the option for Variable Benefit members to be able to access their monthly payroll payment stubs electronically

Approved ad hoc increase for Retirement Annuity Fund annuitants

Completed the Participating Employer Survey

Completed 85% payment of the Retirement Annuity Fund reserve liability as per the court direction

### Retention

Continued to promote benefits of Plan membership

Utilized the approved retention strategy

### Internal Operations

Promoted staff training and professional development

Ensured staff had the tools and resources to be successful

Provided Pension Board with timely and accurate reports and information as required

Remained in compliance with all applicable policies and legislation that govern the pension plan

Monitored risks and mitigating controls through the enterprise risk management process

Investigated the use of Pension Board electronic minute books

# 2013 Performance and Resource Management

## 2013 Balanced Scorecard

### Financial

This perspective recognizes that the financial performance of the pension plan has a direct impact on member's ability to build and manage their retirement savings.

Strategic Objective	Performance Measure	Target	2013 Results	2012 Results
Acceptable risk	Investment managers in compliance with investment strategies as per SIP&G	No significant compliance issues reported	Met	Met
	Independent actuary verification - RAF immune to changes in interest rates and solvent over the long-term	Bond portfolio duration to actuarial liability duration < 1 year	Met	Met
		Solvency ratio > 1	Met	Met
Acceptable investment returns	Diversified Fund and Pre-Retirement Fund performance in relation to established benchmarks	Gross fund return is $\geq$ benchmark return over 4-year rolling periods	Met	Met
	Investment performance by individual investment manager and asset class in relation to established benchmarks	Gross investment manager and asset class returns $\geq$ benchmark return over 4-year rolling periods	Not Met <sup>A</sup>	Not Met <sup>B</sup>
	Diversified Fund real rate of return $\geq$ 3% above Consumer Price Index (CPI) over 10-year rolling periods	10-year CPI + 3%	Met	Met
Efficient use of Plan's resources	Operate within approved budget	Actual expenditures $\leq$ budget	Met	Met

#### Notes:

**A** For 2013, Greystone Managed Investments Inc.'s 4-year Canadian Equity performance was below benchmark by 0.2%, Non-North American Equity performance was below benchmark by 0.9% and Real Estate performance was below benchmark by 0.6%.

For 2013, State Street Global Advisor's 4-year U.S. Equity - Large Cap performance was below benchmark by 0.2%, which exceeds the current tracking error target range of +/- 0.10%.

**B** For 2012, Greystone Managed Investments Inc.'s 4-year Canadian Equity performance was below benchmark by 3.3%, U.S. Equity performance was below benchmark by 1.3% and Real Estate performance was below benchmark by 1.0%.

For 2012, State Street Global Advisor's 4-year U.S. Equity - Large Cap performance was below benchmark by 0.2%, which exceeds the current tracking error target range of +/- 0.10%.

# 2013 Performance and Resource Management

2013 Balanced Scorecard				
<b>Customer</b>				
This perspective challenges the pension plan to focus on service to its members, participating employers and retirees, with a commitment to integrity, professionalism and open, effective communication.				
Strategic Objective	Performance Measure	Target	2013 Results	2012 Results
Effective communication	Provide timely and accurate information to members	Meet key performance indicators 100% of the time	Met	Met
	Complete Participating Employer Survey and Satisfaction Index	Overall score $\geq$ 75%	Met	N/A <sup>A</sup>
2013 Balanced Scorecard				
<b>Retention</b>				
This perspective challenges the pension plan to retain participating employers, plan members and their assets held in the pension plan. This is accomplished by providing a service oriented team that is knowledgeable in the pension industry.				
Strategic Objective	Performance Measure	Target	2013 Results	2012 Results
Member retention	Retention of Plan members in the Plan	New transfers of dollars into VB <sup>B</sup> $\geq$ 45% of the total dollar transfers to VB+LIRA+PRRIF <sup>B</sup>	Met	Met
		Inactives plus retirees number is maintained year over year	Met	Met
	Notify former Plan members of option to return to VB <sup>B</sup> at retirement	Complete notification	N/A <sup>A</sup>	Met
Notes:				
A	Non-reporting year (3-year cycle).			
B	VB refers to the Variable Benefit retirement income option; LIRA refers to a Locked-in Retirement Account; PRRIF refers to a Prescribed Registered Retirement Income Fund.			

# 2013 Performance and Resource Management

## 2013 Balanced Scorecard

### Internal Operations

This perspective challenges the pension plan to ensure our fiduciary responsibility is upheld and that compliance measures are in place to ensure the integrity of the pension plan. This perspective also challenges the Plan Administrator to provide strategic direction for the pension plan and ensure the pension plan is transparent in its operations.

Plan administration staff is encouraged to develop their pension industry knowledge and empowers staff to make decisions within established policy guidelines to promote a professional service oriented team approach when dealing with all stakeholders.

Strategic Objective	Performance Measure	Target	2013 Results	2012 Results
Adhere to reporting and disclosure best practices	Compliance with established policies and legislation	No Provincial Audit recommendation	Met	Met
	Meet financial reporting requirements	100% compliance	Met	Met
Promote employee and organization success	Budgeted funds available for staff training and professional development	Up to maximum 2.5% of budgeted payroll	Met	Met
	Efficient, reliable and secure IT infrastructure and system software	Available 99% of the time	Met	Met
Leadership	Provide expertise and guidance to the Pension Board	Plan Administration Performance Index score $\geq$ 80%	Met	Met

# Planning for 2014

## 2014 Priorities

### Financial

Complete annual review of Statement of Investment Policies and Goals, including consideration of management structure and asset mix changes

Ensure managers understand their performance goals

Complete regular evaluations on investment manager performance

Maintain solvency ratio of  $\geq 1$  as reported in the actuarial valuation report for Retirement Annuity Fund

Operate within annual budget

### Customer

Meet key performance indicators

Continue to distribute the Retirement Annuity Fund surplus to eligible members

Complete and provide report on the Plan member survey

Develop an implementation strategy for investment choice for Plan members

### Retention

Continue to promote benefits of Plan membership

Utilize the approved retention strategy

### Internal Operations

Promote staff training and professional development

Ensure staff have the tools and resources to be successful

Provide Pension Board with timely and accurate reports and information as required

Remain in compliance with all applicable policies and legislation that govern the pension plan

Monitor risks and mitigating controls through an Enterprise Risk Management process

# Planning for 2014

2014 Balanced Scorecard			
Financial			
Strategic Objective	Performance Measure	2014 Target	2013 Target
Acceptable risk	Investment managers in compliance with investment strategies as per SIP&G	No significant compliance issues reported	No significant compliance issues reported
	Independent actuary verification - RAF immune to changes in interest rates and solvent over the long-term	Bond portfolio duration to actuarial liability duration < 1 year	Bond portfolio duration to actuarial liability duration < 1 year
		Solvency ratio > 1	Solvency ratio > 1
Acceptable investment returns	Diversified Fund and Pre-Retirement Fund performance in relation to established benchmarks	Gross fund return is $\geq$ benchmark return over 4-year rolling periods	Gross fund return is $\geq$ benchmark return over 4-year rolling periods
	Investment performance by individual investment manager and asset class in relation to established benchmarks	Gross investment manager and asset class returns $\geq$ benchmark return over 4-year rolling periods	Gross investment manager and asset class returns $\geq$ benchmark return over 4-year rolling periods
	Diversified Fund real rate of return $\geq$ 3% above Consumer Price Index (CPI) over 10-year rolling periods	10-year CPI + 3%	10-year CPI + 3%
Efficient use of Plan's resources	Operate within approved budget	Actual expenditures $\leq$ budget	Actual expenditures $\leq$ budget
2014 Balanced Scorecard			
Customer			
Strategic Objective	Performance Measure	2014 Target	2013 Target
Effective communication	Provide timely and accurate information to members	Meet key performance indicators 100% of the time	Meet key performance indicators 100% of the time
	Complete Plan Member Retirement Primer Feedback Satisfaction Index	Overall score $\geq$ 75%	Overall score $\geq$ 75%
	Complete Participating Employer Survey and Satisfaction Index	Non-reporting year (3 year cycle)	Complete survey and provide report
	Complete Plan Member Satisfaction Index	Complete survey and provide report - Overall score $\geq$ 75%	Non-reporting year (3 year cycle)

# Planning for 2014

2014 Balanced Scorecard			
Retention			
Strategic Objective	Performance Measure	2014 Target	2013 Target
Member retention	Retention of Plan members in the Plan	New transfers of dollars into VB ≥ 45% of the total dollar transfers to VB+LIRA+PRRIF	New transfers of dollars into VB ≥ 45% of the total dollar transfers to VB+LIRA+PRRIF
		Inactives plus retirees number is maintained year over year	Inactives plus retirees number is maintained year over year
	Notify former Plan members of option to return to VB at retirement	Non-reporting year (3 year cycle)	Non-reporting year (3 year cycle)
2014 Balanced Scorecard			
Internal Operations			
Strategic Objective	Performance Measure	2014 Target	2013 Target
Adhere to reporting and disclosure best practices	Compliance with established policies and legislation	No Provincial Audit recommendation	No Provincial Audit recommendation
	Meet financial reporting requirements	100% compliance	100% compliance
Promote employee and organization success	Budgeted funds available for staff training and professional development	Up to maximum 2.5% of budgeted payroll	Up to maximum 2.5% of budgeted payroll
	Efficient, reliable and secure IT infrastructure and system software	Available 99% of the time	Available 99% of the time
Leadership	Provide expertise and guidance to the Pension Board	Plan Administration Performance Index score ≥ 80%	Plan Administration Performance Index score ≥ 80%

# Service Providers

## Investment Managers

### **Connor, Clark & Lunn Investment Management Ltd. (CC&L)**

Vancouver, British Columbia

CC&L is a quantitative value style manager, responsible for a portion of the Diversified Fund's Canadian equity investment mandate.

---

### **Greystone Managed Investments Inc. (Greystone)**

Regina, Saskatchewan

Greystone is a growth at reasonable price (i.e. GARP) manager. Greystone is responsible for a portion of the Diversified Fund. Within the Fund, Greystone manages a diversified portfolio of Canadian and foreign equities, Canadian bonds, real estate and short-term investments. Greystone contracts Hansberger Global Investors to manage the Non-North American equities portion of its investment mandate. Greystone manages the entire portfolio for the Pre-Retirement Fund and the Retirement Annuity Fund.

---

### **State Street Global Advisors (SSgA)**

Toronto, Ontario

SSgA is an index (i.e. passive) manager, responsible for a portion of the Diversified Fund's U.S. equity and Canadian bond investment mandates.

---

### **Tweedy Browne Company, LLC (Tweedy)**

Stamford, Connecticut

Tweedy is a value style manager, responsible for a portion of the Diversified Fund's Non-North American equity investment mandate.

## Fund Management

### **Aon Hewitt**

Regina, Saskatchewan

Aon Hewitt (Regina office) is the Plan's investment consultant.

---

### **RBC Investor Services Trust**

Calgary, Alberta

RBC Investor Services Trust is the Plan's custodian.

## Compliance

### **Deloitte LLP**

Regina, Saskatchewan

Deloitte LLP is the Plan's independent external auditor.

---

### **Aon Hewitt**

Saskatoon, Saskatchewan

Aon Hewitt (Saskatoon office) is the actuary for the Retirement Annuity Fund.

# Comparative Benchmarks

Asset Class Manager(s)	Benchmark
<b>Canadian Equities</b> Greystone CC&L	<b>S&amp;P/TSX Index</b> The S&P/TSX Index comprises approximately 71% of the market capitalization for Canadian-based Toronto Stock Exchange listed companies. It is calculated on a float market capitalization and is the broadest Canadian equity index available. The index also serves as the premier benchmark for Canadian pension funds and mutual funds.
<b>U.S. Equities</b> Greystone SSgA	<b>S&amp;P 500 Index</b> The Standard and Poor's 500 Composite Index consists of the largest 500 companies in the United States chosen for market size, liquidity and industry group representation. It is a market-value weighted index, with each stock's weight in the index proportionate to its market value. For the purposes of the Plan, the S&P 500 Index returns are converted from U.S. dollars into Canadian dollars and therefore reflect currency gains and losses.  <b>S&amp;P 500 Index (hedged)</b> The Standard and Poor's Index (hedged) is a synthetic hedging model constructed by Barclays Global Investors. It uses the same methodology as international index providers such as MSCI. Through the use of forward contracts the return on the index is hedged to Canadian dollars to mitigate currency risk.  <b>S&amp;P 400 Index (hedged)</b> The Standard and Poores' 400 Composite Stock Index consists of 400 medium-sized companies chosen for market size, liquidity and industry group representation. It is a market value weighted index and was the first benchmark for mid cap stock price movement. The index is hedged back into Canadian dollars to mitigate currency risk.
<b>Non-North American Equities</b> Greystone Tweedy	<b>MSCI EAFE Index</b> The Morgan Stanley Capital International Europe, Australasia and Far East Index is a widely recognized benchmark for non-U.S. stock markets. It is composed of a sample of companies representative of the market structure of 22 European and Pacific Basin countries and includes reinvestment of all dividends.
<b>Bonds</b> Greystone SSgA	<b>DEX Universe Bond Index</b> The DEX Universe Bond Index covers all marketable Canadian bonds with a term to maturity of more than one year. The Universe contains approximately 1,000 marketable Canadian bonds with an average term of 9.9 years and an average duration of 7.0 years. The purpose of the Index is to reflect the performance of the broad "Canadian Bond Market" in a similar manner to the S&P/TSX Index.
<b>Real Estate</b> Greystone	<b>REALpac/IPD Canada Property Index</b> The REALpac/IPD Canadian Property Index is published by the Investment Property Databank Ltd. under contract with the Canadian Institute of Real Estate Investment Managers. The IPD Index measures total returns on a diversified pool of properties. IPD compiles property level information from pension funds, life insurance companies and real estate managers on a quarterly basis. The index contains over 2,100 properties and is estimated to represent approximately 50% of institutional holdings and publicly listed vehicles.
<b>Short-term/cash</b> Greystone	<b>DEX 91-day T-bills</b> Canada Treasury Bills represent the highest quality short-term investments available. The index is constructed by selling and repurchasing Government of Canada T-bills with an average term to maturity of 91 days. The 91-day Treasury Bill Index is calculated and marked to market daily.
<b>Total Fund</b> All Managers	<b>Consumer Price Index (CPI)</b> Consumer Price Index is used to gauge Canada's inflation rate. The series used is the all items, not seasonally adjusted, 2002 base, widely known as headline inflation.

# Financial Statements

## Responsibility for Financial Statements

The accompanying financial statements have been prepared by management of the Capital Pension and Benefits Administration. They have been prepared in accordance with generally accepted accounting principles in Canada, consistently applied, using management's best estimates and judgements where appropriate. Management is responsible for the reliability and integrity of the consolidated financial statements and other information contained in this Annual Report.

The Capital Pension Plan Board is responsible for overseeing the business affairs of the Plan and also has the responsibility for approving financial statements. The Pension Board is responsible for reviewing the annual financial statements and meeting with management, the Plan's independent external auditors Deloitte LLP and the Provincial Auditor for Saskatchewan on matters relating to the financial process.

Management maintains a system of internal controls to ensure the integrity of information that forms the basis of the financial statements. Management's attestation on the adequacy of financial controls appears on the following page. The Provincial Auditor of Saskatchewan has reported to the Legislative Assembly that financial controls are adequately functioning.

Deloitte LLP has audited the financial statements. Their report to the Members of the Legislative Assembly stating the scope of their examination and opinion on the financial statements appears on page 29.



---

Ken Klein  
Executive Director  
Capital Pension and Benefits Administration



---

Stanley Jones  
Director, Pensions  
Capital Pension and Benefits Administration

March 13, 2014

# Financial Statements

## Annual Statement of Financial Responsibility

I, Ken Klein, Executive Director of the Capital Pension and Benefits Administration, and I, Stanley Jones, Director, Pensions, of the Capital Pension and Benefits Administration, certify the following:

That we have reviewed the consolidated financial statements included in this 2013 Annual Report of the Capital Pension Plan. Based on our knowledge, having exercised reasonable diligence, the financial statements included in the Annual Report, fairly present, in all material respects the financial condition, results of operations, and cash flows as of December 31, 2013.

That based on our knowledge, having exercised reasonable diligence, the financial statements included in the Annual Report of the Capital Pension Plan do not contain any untrue statements of material fact, or omit to state a material fact that is either required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

That the Capital Pension and Benefits Administration is responsible for establishing and maintaining effective internal control over financial reporting, which includes safeguarding of assets and compliance with applicable legislative authorities and Capital Pension and Benefits Administration has designed internal controls over financial reporting that are appropriate to the circumstances of the Capital Pension Plan.

That Capital Pension and Benefits Administration conducted its assessment of the effectiveness of the Plan's internal controls over financial reporting and, based on the results of the assessment, Capital Pension and Benefits Administration can provide reasonable assurance that internal controls over financial reporting as of December 31, 2013 were operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting.

  
\_\_\_\_\_  
Ken Klein  
Executive Director  
Capital Pension and Benefits Administration

  
\_\_\_\_\_  
Stanley Jones  
Director, Pensions  
Capital Pension and Benefits Administration

March 13, 2014

# Financial Statements

## Independent Auditor's Report

To the Members of the Legislative Assembly of Saskatchewan

We have audited the accompanying financial statements of the Capital Pension Plan, which comprise the statement of financial position as at December 31, 2013 and the statement of changes in net assets available for benefits and the statement of changes in provision for annuity obligation retirement annuity fund 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, 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*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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.

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

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Capital Pension Plan as at December 31, 2013 and the changes in net assets available for benefits and changes in its provision for annuity obligation retirement annuity fund for the year then ended in accordance with Canadian accounting standards for pension plans.

### *Other Matters*

The financial statements of Capital Pension Plan for the year ended December 31, 2012, were audited by another auditor who expressed an unmodified opinion on those statements on February 26, 2013.



Chartered Accountants

March 13, 2014  
Regina, Saskatchewan

*this page is blank intentionally*

**CAPITAL PENSION PLAN**  
**STATEMENT OF FINANCIAL POSITION**

As at December 31

	2013			2012		
	Defined Contribution Fund	Retirement Annuity Fund	Total	Defined Contribution Fund	Retirement Annuity Fund	Total
	(thousands of dollars)					
<b>Assets</b>						
Investments (Note 4)	\$ 1,084,398	\$ 32,199	\$ 1,116,597	\$ 971,810	\$ 40,042	\$ 1,011,852
Investments under securities lending program (Note 4)	105,840	5,409	111,249	60,531	6,442	66,973
Cash	1,158	16	1,174	1,425	38	1,463
Contributions receivable	261	-	261	347	-	347
Interest and dividends receivable	5,696	234	5,930	7,691	250	7,941
Capital assets (Note 8)	12	-	12	17	-	17
<b>Total assets</b>	<u>1,197,365</u>	<u>37,858</u>	<u>1,235,223</u>	<u>1,041,821</u>	<u>46,772</u>	<u>1,088,593</u>
<b>Liabilities</b>						
Accounts payable (Note 11)	1,583	937	2,520	5,200	7,214	12,414
Prepaid participants' contributions	290	-	290	289	-	289
Provision for annuity obligation (Note 10)	-	29,180	29,180	-	27,402	27,402
<b>Total liabilities</b>	<u>1,873</u>	<u>30,117</u>	<u>31,990</u>	<u>5,489</u>	<u>34,616</u>	<u>40,105</u>
<b>Net assets available for benefits</b>	<u>\$ 1,195,492</u>	<u>\$ 7,741</u>	<u>\$ 1,203,233</u>	<u>\$ 1,036,332</u>	<u>\$ 12,156</u>	<u>\$ 1,048,488</u>

(see accompanying notes)

On behalf of the Pension Plan Board of Directors:

Director 

Director 

**CAPITAL PENSION PLAN**

**STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS**

As at December 31

	2013			2012		
	Defined Contribution Fund	Retirement Annuity Fund	Total	Defined Contribution Fund	Retirement Annuity Fund	Total
	(thousands of dollars)					
<b>Increase (decrease) in Assets</b>						
Investment income (Note 5)	\$ 29,437	\$ 1,509	\$ 30,946	\$ 25,464	\$ 1,572	\$ 27,036
Change in fair value of investments	137,105	(2,214)	134,891	66,199	(51)	66,148
Contributions and transfers in (Note 6)	45,220	552	45,772	39,544	586	40,130
	<u>211,762</u>	<u>(153)</u>	<u>211,609</u>	<u>131,207</u>	<u>2,107</u>	<u>133,314</u>
<b>Decrease in Assets</b>						
Withdrawals and transfers out (Note 7)	48,082	2,238	50,320	44,117	2,322	46,439
Increase in provision for annuity obligation (Note 10)	-	1,778	1,778	-	489	489
Operating expenses (Note 13)	4,520	246	4,766	4,039	180	4,219
	<u>52,602</u>	<u>4,262</u>	<u>56,864</u>	<u>48,156</u>	<u>2,991</u>	<u>51,147</u>
<b>Increase (decrease) in net assets available for benefits</b>	159,160	(4,415)	154,745	83,051	(884)	82,167
Net assets available for benefits, beginning of year	<u>1,036,332</u>	<u>12,156</u>	<u>1,048,488</u>	<u>953,281</u>	<u>13,040</u>	<u>966,321</u>
<b>Net assets available for benefits, end of year</b>	<u>\$ 1,195,492</u>	<u>\$ 7,741</u>	<u>\$ 1,203,233</u>	<u>\$ 1,036,332</u>	<u>\$ 12,156</u>	<u>\$ 1,048,488</u>

(see accompanying notes)

**CAPITAL PENSION PLAN**

**STATEMENT OF CHANGES IN PROVISION FOR ANNUITY OBLIGATION RETIREMENT ANNUITY FUND**

As at December 31

	<u>2013</u>	<u>2012</u>
	(thousands of dollars)	
<b>Provision for annuity obligation, beginning of year</b>	\$ 27,402	\$ 26,913
<b>Increase in provision for annuity obligation</b>		
Liability due to new annuitants during year	538	498
Mortality experience	161	48
Interest on provision	987	1,103
Change in discount rate and mortality assumptions	-	1,136
Ad Hoc Indexing granted as at January 1, 2014	2,754	-
	<u>4,440</u>	<u>2,785</u>
<b>Decrease in provision for annuity obligation</b>		
Expected annuity payments with interest	2,276	2,288
Change in expense assumption	60	8
Change in discount rate and mortality assumptions	326	-
	<u>2,662</u>	<u>2,296</u>
Net increase in provision for annuity obligation	<u>1,778</u>	<u>489</u>
<b>Provision for annuity obligation, end of year (Note 10)</b>	<u>\$ 29,180</u>	<u>\$ 27,402</u>

(see accompanying notes)

## CAPITAL PENSION PLAN

### NOTES TO FINANCIAL STATEMENTS

December 31, 2013

#### 1. Description of Plan

The following description of Capital Pension Plan (the Plan) is a summary only. For more complete information, reference should be made to the Plan Text.

- a) The Plan was established pursuant to **The Crown Corporations Act, 1978** and is continued under **The Crown Corporations Act, 1993**. It is a Registered Pension Plan legislated under **The Pension Benefits Act, 1992** and is not subject to income taxes under the **Income Tax Act**. The Plan is available to corporations both in the public and private sector (participants) upon approval of the Plan's Board of Directors.
- b) The Plan is comprised of a Defined Contribution Fund (DCF) and a Retirement Annuity Fund (RAF). The DCF and RAF assets are invested separately and managed by professional investment managers whose investment objectives and performance is measured against objectives established by the Capital Pension Plan Board of Directors as outlined in the Statement of Investment Policies and Goals.

- i) Defined Contribution Fund (DCF)

The DCF receives and holds, in trust, member and participant contributions as well as the related investment income derived from these contributions. There are two investment options available to DCF members, the Diversified Fund (DF) and the Pre-Retirement Fund (PRF). The total amount available to a member upon termination or retirement is equal to the particular member's account balance at that date, subject to certain vesting and other specific rules governing the Plan.

A Variable Benefit (VB) pension option is available to eligible current and former DCF members as a retirement income alternative. This option allows for payments to be paid to members through either lump-sum withdrawals or periodic payments subject to minimum withdrawals set by the **Income Tax Act**. VB members' equity remains invested in the DCF.

- ii) Retirement Annuity Fund (RAF)

The RAF was established to provide Plan members with the option of purchasing a life annuity upon retirement. If the member elects to purchase a life annuity from the RAF, the individual's account balance is transferred from the DCF to the RAF and a pension annuity contract is established based on current interest rates and group annuity mortality tables.

- c) Crown Investments Corporation of Saskatchewan (the Corporation) is the sponsor for the Plan, and as such, is ultimately responsible for any shortfalls that may occur in RAF. The DCF has no responsibility to fund any shortfalls that may arise in the RAF.

#### 2. Basis of Preparation

##### Statement of compliance

The financial statements for the year ended December 31, 2013 have been prepared in accordance with the Chartered Professional Accountants (CPA) Canada Handbook Section 4600, *Pension Plans*. For matters not addressed in Section 4600, International Financial Reporting Standards (IFRSs) guidance has been implemented. The financial statements were authorized and issued by the Capital Pension Plan Board of Directors on March 13, 2014.

##### Basis of measurement

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

##### 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 noted.

## CAPITAL PENSION PLAN

### NOTES TO FINANCIAL STATEMENTS

December 31, 2013

#### 3. Significant Accounting Policies

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.

The financial statements are prepared in accordance with Canadian accounting standards for pension plans. The following policies are considered to be significant:

a) Net assets available for benefits

i) Defined Contribution Fund

This amount represents the difference between the DCF's assets and liabilities and is for the exclusive use of the DCF members for providing retirement income.

ii) Retirement Annuity Fund

This amount represents the difference between the RAF's assets and liabilities and is available to meet the payment obligations of current and future annuitants.

b) Valuation of assets and liabilities

Plan assets and liabilities are valued and recorded as follows:

i) Investments

All investments are carried at fair value (Note 4). The fair value of bonds and debentures is based on model pricing techniques that effectively discount prospective cash flows to present value, taking into account duration, credit quality and liquidity. The fair value of equities is based on quoted market values, based on latest bid prices. The fair value of pooled funds is based on the quoted market value of the underlying investments.

Short-term investments are recorded at cost which approximates fair value due to the short term to maturity. Segregated real estate investments are recorded at fair value using an independent appraisal system that considers such factors as replacement cost and earnings results.

ii) Cash, receivables and payables

Cash, contributions receivable, interest and dividends receivable, accounts payable and prepaid participants contributions are recorded at cost which approximates fair value due to their immediate or short term maturity.

iii) Provision for annuity benefits

The provision for annuity benefits is carried at the actuarial present value of the future expected annuity benefit obligation to pensioners.

## CAPITAL PENSION PLAN

### NOTES TO FINANCIAL STATEMENTS

December 31, 2013

#### 3. Significant Accounting Policies (continued)

##### iv) Capital assets

Capital assets are recorded at cost less accumulated amortization (note 8). Amortization is recorded on a straight line basis over their estimated useful lives as follows:

Computer equipment & software	3-5 years
Office furniture	5 years
Leasehold improvements	5 years

##### c) Investment Income and transaction costs

Investment income, which is recorded on an accrual basis, includes interest income, dividends, real estate operating income, and net gains or losses from sales of securities and real estate.

Investment transactions are recorded on their respective trade date. Investment transaction costs are recognized in the Statement of Changes in Net Assets Available for Benefits in the period incurred.

##### d) Foreign currency translation

Monetary items denominated in foreign currency are translated to Canadian dollars at exchange rates in effect at the year end date. Revenues and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses are included in income.

##### e) Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for pension plans requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the recorded amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the valuation of investments and provision for annuity benefits. Actual results could differ from these estimates.

##### f) New standards and interpretations adopted

###### IFRS 13 Fair Value Measurement

The Plan has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. The application of IFRS 13 has not had any material impact on the amounts recognised in the financial statements.

##### g) 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, 2013, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Plan.

**CAPITAL PENSION PLAN**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2013

**4. Investments**

a) Defined Contribution Fund investments consist of the following:

	<u>2013</u>	<u>2012</u>
	(thousands of dollars)	
Bonds and debentures	\$ 171,035	\$ 160,901
Short-term investments	24,530	28,317
Equities	<u>284,893</u>	<u>239,882</u>
	<u>480,458</u>	<u>429,100</u>
Pooled funds		
Greystone Money Market Fund	44,163	72,478
Greystone EAFE Growth Fund	120,076	86,400
Greystone Canadian Real Estate Fund	55,035	51,313
SSgA Canadian Universe Bond Index Fund	153,202	131,997
SSgA S&P Midcap Index Securities Lending Common Trust Fund	46,650	33,150
SSgA S&P 500 Index Fund Hedged	87,789	85,775
CC&L Canadian Q Value Fund	97,025	81,597
	<u>603,940</u>	<u>542,710</u>
	<u>\$ 1,084,398</u>	<u>\$ 971,810</u>
Bonds and debentures under securities lending program	\$ 38,723	\$ 20,344
Short-term investments under securities lending program	8,307	1,504
Equities under securities lending program	<u>58,810</u>	<u>38,683</u>
	<u>\$ 105,840</u>	<u>\$ 60,531</u>

b) Retirement Annuity Fund investments consist of the following:

	<u>2013</u>	<u>2012</u>
	(thousands of dollars)	
Bonds and debentures	\$ 30,271	\$ 27,943
Short-term investments	962	2,315
	<u>31,233</u>	<u>30,258</u>
Pooled funds		
Greystone Canadian Equity Fund	-	2,165
Greystone EAFE Growth Fund	-	201
Greystone Money Market Fund	966	7,418
	<u>966</u>	<u>9,784</u>
	<u>32,199</u>	<u>40,042</u>
Bonds and debentures under securities lending program	\$ 5,409	\$ 6,442
	<u>\$ 5,409</u>	<u>\$ 6,442</u>

c) Bonds and debentures

For the DCF, fixed income bonds have effective rates ranging between 1.12% and 4.82% and coupon rates between 0.00% and 8.29% (2012 - effective rates of -0.59% to 4.93%, coupon rates of 0.00% to 11.00%). For the RAF, fixed income bonds and debentures have effective rates of 1.00% to 4.58% and coupon rates of 0.00% to 10.25% (2012 - effective rates of 1.12% to 3.84%, coupon rates of 0.00% to 10.25%).

**CAPITAL PENSION PLAN**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2013

**4. Investments (continued)**

The carrying value amount is shown by contractual maturity. Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without penalties. Bonds and debentures term to maturity – carrying value:

	2013			2012		
	Defined Contribution Fund	Retirement Annuity Fund	Total	Defined Contribution Fund	Retirement Annuity Fund	Total
	(thousands of dollars)					
Government of Canada						
Due < 1 year	\$ 8,176	\$ 666	\$ 8,842	\$ 2,327	\$ -	\$ 2,327
1-5 years	24,198	1,312	25,510	43,004	1,112	44,116
After 5 years	24,698	6,741	31,439	14,927	7,829	22,756
Province of Saskatchewan						
1-5 years	-	289	289	806	283	1,089
After 5 years	4,554	1,809	6,363	4,406	1,950	6,356
Other provincial						
Due < 1 year	-	957	957	-	1,055	1,055
1-5 years	-	5,760	5,760	4,838	4,334	9,172
After 5 years	56,824	18,146	74,970	44,296	17,822	62,118
Municipal						
1-5 years	6,007	-	6,007	1,554	-	1,554
After 5 years	-	-	-	3,311	-	3,311
Foreign						
1-5 years	1,403	-	1,403	1,670	-	1,670
Corporate and convertible						
Due < 1 year	2,288	-	2,288	1,340	-	1,340
1-5 years	49,888	-	49,888	30,787	-	30,787
After 5 years	<u>31,722</u>	<u>-</u>	<u>31,722</u>	<u>27,979</u>	<u>-</u>	<u>27,979</u>
	<u>\$ 209,758</u>	<u>\$ 35,680</u>	<u>\$ 245,438</u>	<u>\$ 181,245</u>	<u>\$ 34,385</u>	<u>\$ 215,630</u>

d) Pooled funds

Pooled fund investments are governed by the specific policies instituted by the investment manager for each fund. The Pension Board has reviewed the guidelines for these investments and determined that they are acceptable.

The Plan's units in pooled funds have no fixed interest rate and the returns are based on the success of the fund manager.

i) Greystone Money Market Fund

The Greystone Money Market Fund holds investments in treasury bills, notes and commercial paper.

ii) SSgA Canadian Universe Bond Index Fund

The SSgA Canadian Universe Bond Index Fund holds investments in Canadian issued fixed income securities such as bonds, debentures, notes or other debt investments included in the calculation of the DEX Universe Bond Index.

## CAPITAL PENSION PLAN

### NOTES TO FINANCIAL STATEMENTS

December 31, 2013

#### 4. Investments (continued)

iii) Greystone Canadian Real Estate Fund

The Greystone Canadian Real Estate Fund holds equity interests in, and mortgages of, Canadian real estate. Fund assets may also be invested in securities or bonds issued by tax exempt real estate corporations, pension corporations and other borrowers permitted under insurance or pension legislation where the asset underlying the security or bond is a mortgage or real estate equity.

iv) SSgA S&P Midcap Index Securities Lending Common Trust Fund

The SSgA S&P Midcap Index Securities Lending Common Trust Fund holds investments in U.S. common stocks which are contained in the Standard & Poor's Midcap Index. In order to protect itself against foreign currency risk, the Plan enters into monthly currency forward contract agreements where Canadian Dollars are purchased against U.S. dollars. At December 31, 2013, the fair value of these contracts is negative \$0.14 million (2012 – negative \$0.06 million) and included in the fund balance. At December 31, 2013, these contracts had notional amounts totaling \$46.79 million all expiring in 2014 (2012-\$33.21 million all expiring in 2013).

v) SSgA S&P 500 Index Fund Hedged

The SSgA S&P 500 Index Fund Hedged holds investments in U.S. common stock which are contained in the Standard & Poor's 500 Index. In order to protect the Fund against foreign currency risk, the Fund enters into monthly currency forward contract agreements where Canadian Dollars are purchased against U.S. dollars.

vi) Greystone EAFE Growth Fund

The Greystone EAFE Growth Fund holds investments in international securities defined as issues traded on exchanges and over-the-counter markets in the countries that comprise the MSCI EAFE Index and the MSCI Emerging Market Index.

vii) CC&L Canadian Q Value Fund

The CC&L Canadian Q Value Fund primarily holds investments in equities and income trusts traded on recognized Canadian exchanges, rights, warrants, cash and cash equivalents, and derivatives (non-leveraging). The Fund's investment in a single stock may not exceed 15% of the equity portfolio and will not hold less than 50 securities at any time.

viii) Greystone Canadian Equity Fund

The Greystone Canadian Equity Fund primarily holds investments in equities and income trusts traded on recognized Canadian exchanges.

e) Short-term investments

These investments are comprised of treasury bills, notes and commercial paper with effective interest rates of 0.91% to 1.39% (2012 – 0.95% to 1.27%). Interest is receivable at maturity.

f) Equities

The DCFs' investment policy allows investments in equities and income trusts traded on recognized exchanges, convertible debentures, rights, warrants, installment receipts, exchange traded index participation units and limited partnerships and private placement equity. No one holding can represent more than 10% of the fair value of the portfolio and no one holding can represent more than 10% of the common stock in any corporation.

g) Real estate

Investments in real estate consist of Canadian commercial property. The risk associated with real estate is minimized through diversification across property type, geographical distribution and investment size.

## CAPITAL PENSION PLAN

### NOTES TO FINANCIAL STATEMENTS

December 31, 2013

#### 4. Investments (continued)

##### h) Determination of fair value

The Plan has classified its fair valued financial instrument holdings using a hierarchy that reflects the significance of the inputs used in determining their measurements.

Under this 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 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 following tables classify the Plan's required financial instruments for both the DCF and RAF within a fair value hierarchy:

	2013			Total
	Level 1	Level 2	Level 3	
	(thousands of dollars)			
Short term investments	\$ -	\$ 33,799	\$ -	\$ 33,799
Bonds and debentures	-	245,438	-	245,438
Pooled fixed income and money market funds	-	198,331	-	198,331
Pooled equity funds	-	351,540	-	351,540
Pooled real estate funds	-	55,035	-	55,035
Equities	343,703	-	-	343,703
	<u>\$ 343,703</u>	<u>\$ 884,143</u>	<u>\$ -</u>	<u>\$ 1,227,846</u>

	2012			Total
	Level 1	Level 2	Level 3	
	(thousands of dollars)			
Short term investments	\$ -	\$ 32,136	\$ -	\$ 32,136
Bonds and debentures	-	215,630	-	215,630
Pooled fixed income and money market funds	-	211,893	-	211,893
Pooled equity funds	-	289,288	-	289,288
Pooled real estate funds	-	51,313	-	51,313
Equities	278,565	-	-	278,565
	<u>\$ 278,565</u>	<u>\$ 510,972</u>	<u>\$ -</u>	<u>\$ 1,078,825</u>

During the year no investments were transferred between levels.

##### i) Financial risk management

The investment objectives of the Plan are to maximize retirement wealth; ensure sufficient assets exist to meet future pension obligations; and to generate sufficient cash flow to meet pension payments. Due to the long-term horizon of the Plan's obligations, the Plan takes a long-term investment perspective. In order to achieve these goals, the Plan invests in a variety of investments. These investments have varying levels of risk and are also subject to different types of risk.

The associated risks include credit risk, market risk (consisting of interest rate risk, foreign exchange risk and equity price risk) and liquidity risk. Changes in these risks can affect the value of investments. These risks are managed by employing an investment policy, which is approved annually by the Pension Board. This policy provides portfolio asset mix guidelines to the Plan's investment managers regarding quality and quantity of fixed income investments, real estate and equity investments. The asset mix helps to reduce the impact of market value fluctuations by requiring investments in different asset classes and in different domestic and foreign markets.

The DCF primarily utilizes an active management investment strategy which has a greater proportion of its investments in equities as opposed to fixed income assets. The RAF, alternatively, has a low risk tolerance and invests in high quality fixed income investments.

## CAPITAL PENSION PLAN

### NOTES TO FINANCIAL STATEMENTS

December 31, 2013

#### 4. Investments (continued)

##### i) Credit risk

Credit risk arises from the potential for issuers of securities to default on their contractual obligations to the Plan. Credit risk within investments is primarily related to short-term investments, bonds and debentures, and the fixed income pooled funds. The Plan is also exposed to counterparty credit risk on forward currency contracts described in note 4(d)(iv). The Plan limits credit risk by setting investment restrictions and quality standards within its Statement of Investment Policies and Goals.

The minimum quality standard for government bonds and debentures is "BBB" or equivalent as rated by a recognized bond rating agency, at the time of purchase. Corporate bonds for RAF must meet a minimum quality standard of "A", at the time of purchase. The Plan's investment policy limits each investment manager's bond portfolio concentration in any one single issuer (and its related companies) to 10% (except for federal and provincial) of their total portfolio. No more than 20% of the market value of a Manager's bond portfolio shall be invested in bonds of foreign issuers. "BBB" holdings cannot exceed 15% of the market value of the bond portfolio.

The following table lists the segregated bond and debenture holdings for both the DCF and RAF by credit rating and identifies their corresponding portfolio weighting.

Credit Rating	2013	%	2012	%
	(thousands of dollars)			
AAA	\$ 80,739	34.36	\$ 79,985	37.09
AA	95,056	36.09	75,109	34.83
A	50,501	20.43	47,496	22.03
BBB	19,142	9.12	13,040	6.05
	<u>\$ 245,438</u>	<u>100.00</u>	<u>\$ 215,630</u>	<u>100.00</u>

The minimum quality standard for individual short-term investments is "R-1" or equivalent rating as rated by a recognized bond rating agency, at the time of purchase.

The value of the fixed income pooled funds is impacted by the credit risk of the underlying investments which is governed by the pooled fund's guidelines.

At December 31, 2013, the Plan's maximum credit risk exposure relates to bonds and debentures, short term investments, and the fixed income, and money market pooled funds totaling \$477.57 million (2012 - \$459.66 million).

##### ii) 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.

##### a) Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's net assets available for benefits and changes in net assets available for benefits. At December 31, 2013, the Plan holds 39% (2012 - 43%) in fixed income investments which includes short term investments, bonds and debentures and pooled funds.

The Plan manages interest rate risk by investing in a well diversified portfolio of interest-sensitive asset classes and investments subject to other risks within the asset mix guidelines provided in the Statement of Investment Policies and Goals. The DCF predominantly uses active management which provides the opportunity to mitigate or take advantage of changes in interest rates. The RAF is managed by investing in fixed income investments that provide cash flows that match payments to annuitants.

Duration is a measure used to estimate the extent market values of fixed income investments change with changes in interest rates. Using this measure, it is estimated that a 100 basis point increase (decrease) in interest rates would decrease (increase) net assets available for benefits by approximately \$28 million at December 31, 2013; representing 5.24% (December 31, 2012 - 4.68%) of the fair value of fixed income investments.

## CAPITAL PENSION PLAN

### NOTES TO FINANCIAL STATEMENTS

December 31, 2013

#### 4. Investments (continued)

##### b) Foreign exchange risk

The Plan is exposed to currency risk through the holding of foreign equities, foreign equity pooled funds and foreign bonds and debentures where investment values may fluctuate due to changes in foreign exchange rates. This risk is managed by limiting the amount of investments denoted in foreign currencies and by investing in securities that are strategically distributed over several geographic areas. As well, a portion of the foreign equities investments are hedged against foreign currency fluctuations.

At December 31, 2013, the Plan's foreign currency exposure was \$133.37 million (2012 - \$94.60 million) in U.S. equities and bonds and debentures and \$212.71 million (2012 - \$177.45 million) in equities originating from Europe, Australia, and the Far East (EAFE). If the Canadian dollar appreciated (depreciated) 10% versus the U.S. dollar exchange rate, it would result in approximately a \$13 million decrease (increase) in net assets available for benefits. A 10% weakening (strengthening) in the Canadian dollar versus the EAFE currencies would result in approximately a \$21 million increase (decrease) in net assets available for benefits.

##### c) Equity price risk

Equities comprise approximately 57% (2012 – 53%) of the Plan's total investments. The individual stock holdings are diversified by geography, industry type and corporate entity. The diversification strategy means the Plan is susceptible to equity price changes in the Canadian, U.S. and EAFE markets.

The key indices that represent these markets are used to measure plan performance. The performance of the Plan's assets invested in these markets will be similar to the performance of the corresponding index.

The following table indicates the approximate change that would be expected to the net assets available for benefits based on changes in the Plan's benchmark indices at December 31, 2013:

	<u>10% increase</u>	<u>10% decrease</u>
	(thousands of dollars)	(thousands of dollars)
S&P/TSX Composite Index	\$ 21,612	\$ (21,612)
S&P 500 Index	21,976	(21,976)
S&P 400 Index	4,665	(4,665)
MSCI EAFE Index	21,271	(21,271)

No one investee or related group of investees represents greater than 10% of the market value of the Plan's common share portfolio. As well, no one holding represents more than 10% of the voting shares of any corporation.

##### iii) Liquidity risk

Liquidity risk is the risk that the Plan is unable to meet its contractual financial liabilities as they fall due. The Plan's contractual financial liabilities fall under three categories: accounts payable, prepaid participants contributions and the provision for annuity benefits.

The Plan's cash resources are managed daily based on anticipated cash flows. The cash requirement for the accounts payable and prepaid participant contributions obligations is managed through money market investments, short term investments and contributions to the Plan. The Provision for Annuity Benefits cash requirement is managed through short term investments, bond and debenture interest and investment maturities.

**CAPITAL PENSION PLAN**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2013

**4. Investments (continued)**

The following table summarizes the estimated contractual maturities of the Plan's financial liabilities at December 31:

	2013			2012		
	Defined Contribution Fund	Retirement Annuity Fund	Total	Defined Contribution Fund	Retirement Annuity Fund	Total
	(thousands of dollars)					
Accounts payable						
Due < 1 year	\$ 1,583	\$ 937	\$ 2,520	\$ 5,200	\$ 7,214	\$ 12,414
1-5 years	-	-	-	-	-	-
Prepaid participant contributions						
Due < 1 year	290	-	290	289	-	289
Provision for annuity benefits						
Due < 1 year	-	2,460	2,460	-	2,181	2,181
1-5 years	-	9,347	9,347	-	8,282	8,282
After 5 years	-	17,373	17,373	-	16,939	16,939
	<u>\$ 1,873</u>	<u>\$ 30,117</u>	<u>\$ 31,990</u>	<u>\$ 5,489</u>	<u>\$ 34,616</u>	<u>\$ 40,105</u>

j) Securities Lending

The Plan's Statement of Investment Policies and Goals allows for the lending of its segregated securities to counterparties in exchange for pledged collateral for the purpose of generating revenue. The Statement also allows this practice to be done from within certain pooled fund investments it holds. For securities held in Canada, the current practice is to obtain collateral of at least 105% of the market value of the securities lent. Acceptable collateral pledged for securities on loan includes cash, readily marketable government bonds, treasury bills, letters of credit, discount notes and banker's acceptances of Canadian chartered banks. The Plan does not separately disclose securities lending information for its pooled fund investments with securities lending programs. In these investments, the fund itself holds title to the individual securities on loan and is subsequently responsible for securing appropriate collateral. The Plan, as a fund unit holder, shares the revenues, gains or losses that result from securities lending with all other unit holders.

At December 31, 2013 the Plan held collateral of \$116.81 million (2012 - \$70.33 million) for the loaned securities.

**CAPITAL PENSION PLAN**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2013

**5. Investment Income**

Investment income is comprised of the following:

	2013			2012		
	Defined Contribution Fund	Retirement Annuity Fund	Total	Defined Contribution Fund	Retirement Annuity Fund	Total
	(thousands of dollars)					
Bond and debenture interest	\$ 12,514	\$ 1,448	\$ 13,962	\$ 12,559	\$ 1,408	\$ 13,967
Short-term interest	869	61	930	1,146	104	1,250
Dividends	16,054	-	16,054	11,748	60	11,808
Income from real estate	-	-	-	11	-	11
	<u>\$ 29,437</u>	<u>\$ 1,509</u>	<u>\$ 30,946</u>	<u>\$ 25,464</u>	<u>\$ 1,572</u>	<u>\$ 27,036</u>

**6. Contributions and Transfers In**

Contributions and transfers in are comprised of the following:

	2013			2012		
	Defined Contribution Fund	Retirement Annuity Fund	Total	Defined Contribution Fund	Retirement Annuity Fund	Total
	(thousands of dollars)					
Participants' contributions	\$ 19,832	\$ -	\$ 19,832	\$ 18,683	\$ -	\$ 18,683
Members' contributions	16,489	-	16,489	15,667	-	15,667
Voluntary contributions	2,822	-	2,822	2,502	-	2,502
Transfers into the fund	6,629	-	6,629	3,278	-	3,278
Interfund transfers	(552)	552	-	(586)	586	-
	<u>\$ 45,220</u>	<u>\$ 552</u>	<u>\$ 45,772</u>	<u>\$ 39,544</u>	<u>\$ 586</u>	<u>\$ 40,130</u>

**7. Withdrawals and Transfers Out**

Withdrawals and transfers out are comprised of the following:

	2013			2012		
	Defined Contribution Fund	Retirement Annuity Fund	Total	Defined Contribution Fund	Retirement Annuity Fund	Total
	(thousands of dollars)					
Withdrawals	\$ 34,635	\$ -	\$ 34,635	\$ 32,348	\$ -	\$ 32,348
Transfers to other pension plans	1,151	-	1,151	1,624	-	1,624
Payments to Variable Benefit Members	12,296	-	12,296	10,145	-	10,145
Payments to RAF Members	-	2,195	2,195	-	2,245	2,245
Provision for payments to members of the fund	-	43	43	-	77	77
	<u>\$ 48,082</u>	<u>\$ 2,238</u>	<u>\$ 50,320</u>	<u>\$ 44,117</u>	<u>\$ 2,322</u>	<u>\$ 46,439</u>

**CAPITAL PENSION PLAN**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2013

**8. Capital Assets**

Capital assets at cost less accumulated amortization:

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2013 Net Book Value</u>	<u>2012 Net Book Value</u>
	(thousands of dollars)			
Computer equipment and software	\$ 969	\$ 957	\$ 12	\$ 14
Office furniture	31	31	-	-
Leasehold Improvements	-	-	-	3
	<u>\$ 1,000</u>	<u>\$ 988</u>	<u>\$ 12</u>	<u>\$ 17</u>

**9. 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 and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions, and amounts outstanding at year end, are as follows:

	<u>2013</u>			<u>2012</u>		
	<u>Defined Contribution Fund</u>	<u>Retirement Annuity Fund</u>	<u>Total</u>	<u>Defined Contribution Fund</u>	<u>Retirement Annuity Fund</u>	<u>Total</u>
	(thousands of dollars)					
Participants' contributions	\$ 12,758	\$ -	\$ 12,758	\$ 12,336	\$ -	\$ 12,336
Investment income	188	117	305	151	117	268
Interest and dividends receivable	71	47	118	62	47	109
Contributions receivable	77	-	77	114	-	114

Other transactions and amounts due to and from related parties are described separately in these financial statements and the notes thereto.

## CAPITAL PENSION PLAN

### NOTES TO FINANCIAL STATEMENTS

December 31, 2013

#### 10. Provision for Annuity Obligation

The provision for annuity obligation is the actuarial present value of the future expected annuity benefit obligation to pensioners as annually determined as at December 31 by an independent actuary. The actuarial valuation is a complex process requiring professional judgment on the part of the actuary. Measurement of this amount is uncertain, as estimates must be made of future interest rates and mortality rates.

For purposes of this actuarial valuation, a discount rate of 4.30% (2012 – 3.60%) was used. In addition, mortality is assumed to be in accordance with the Draft 2014 Canadian Pensioner Mortality Table (Public Sector) adjusted by 50% of the pension size adjustment factor as suggested in the Canadian Institute of Actuaries' Draft Canadian Pensioners Mortality Report – July 2013.

Using these actuarial assumptions, if the discount rate used increases by 1%, the provision for annuity benefits decreases by approximately \$2.24 million or if the discount rate used decreases by 1%, the provision for annuity benefits increases by approximately \$2.61 million. If average mortality age increases by 1.0 year the provision for annuity benefits increases by approximately \$1.21 million.

During the year, the Crown Investments Corporation Board of Directors approved the use of a portion of the reported fund surplus at December 31, 2012 to provide eligible RAF participants with an ad hoc indexing pension increase. The amount of the pension increase, beginning January 1, 2014, has been determined to restore 45% of the percentage increase in Canadian inflation from the time a participants' annuity commenced until December 31, 2012.

#### 11. Accounts Payable

During the year, management began the distribution of the reserve fund in accordance with an order received on August 31, 2009 from the Saskatchewan Court of Queen's Bench. Management has reduced its liability by \$6.21 million for a total remaining reserve fund amount of \$0.89 million (2012 – reduced the liability by \$0.03 million, total reserve amount of \$7.10 million) payable to the remaining eligible members of the Plan.

It is expected that the remaining reserve fund balance will be disbursed during 2014 according to Court direction.

#### 12. Investment Performance

The DCF and the RAF investments are managed by professional investment managers whose investment performance is measured against objectives established by the Capital Pension Plan Board of Directors as outlined in the Statement of Investment Policies and Goals. The DCF consists of two investment options available to plan members, the Diversified Fund (DF) and Pre-Retirement Fund (PRF).

The investment objective of the DF is to provide long-term growth within acceptable limits of risk. Based on this objective, the DF is a balanced fund including investments in equities, bonds and debentures, real estate and short term instruments.

The investment objective of the PRF is to preserve capital over the short-term. The PRF is invested solely in short-term money market instruments.

The investment managers make day-to-day decisions on whether to buy or sell investments in order to achieve the long-term performance objectives of the Fund. The Board of Directors reviews the investment performance of the funds in terms of the performance of the benchmark portfolios over 4 year rolling periods. The primary long-term investment performance objective for each of the Funds is to outperform a benchmark portfolio.

The following is a summary of the DCF's investment performance, calculated before expenses:

	2013 Return		Rolling Four Year Return	
	Diversified Fund	Pre-Retirement Fund	Diversified Fund	Pre-Retirement Fund
Actual rate of return	17.1	1.1	9.5	0.9
Benchmark rate of return	14.6	1.0	8.5	0.8

The investment objective of the RAF is to provide sufficient liquidity to ensure payment to annuitants when due and to ensure long-term solvency of the Fund. The Fund pursues a duration matching investment strategy that immunizes the portfolio from interest rate fluctuations. As a result, there is no benchmark return for the RAF.

## CAPITAL PENSION PLAN

### NOTES TO FINANCIAL STATEMENTS

December 31, 2013

#### 13. Operating Expenses

The costs associated with the Plan's administration are allocated as operating expenses on the statement of changes in net assets available for benefits. The Plan reimburses the Corporation for salaries, DCF employer pension contributions and other benefits incurred as the administrator of the Plan.

	<u>2013</u>	<u>2012</u>
	(thousands of dollars)	
Investment management fees	\$ 3,039	\$ 2,620
Custodial fees	189	172
Salaries and benefits	933	867
Audit fees	37	39
Actuarial fees	16	17
Other administration costs	<u>552</u>	<u>504</u>
	<u>4,766</u>	<u>4,219</u>

Salary and benefit costs are attributable to both key management and all other administration personnel. Key management personnel are those persons having the authority to plan, direct and control Plan activities.

	<u>2013</u>	<u>2012</u>
	(thousands of dollars)	
Key management personnel		
Salaries	\$ 305	\$ 290
Defined contribution pension plan	18	18
Other benefits	<u>38</u>	<u>35</u>
	<u>361</u>	<u>343</u>
Other personnel		
Salaries	480	435
Defined contribution pension plan	27	26
Other benefits	<u>65</u>	<u>63</u>
	<u>572</u>	<u>524</u>
	<u>\$ 933</u>	<u>\$ 867</u>

#### 14. Comparative Figures

Certain comparative figures have been restated to conform to the financial statement presentation adopted in the current year.