

SaskPower Designated Employee Benefit Plan



Annual Report for 2018

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Letters of Transmittal



His Honour, The Honourable W. Thomas Molloy
Lieutenant Governor of the Province of Saskatchewan

May it Please Your Honour:

I have the honour to transmit herewith the Annual Report of the SaskPower Designated Employee Benefit Plan for the year ending December 31, 2018.

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

Donna Harpauer
Minister of Finance

The Honourable Donna Harpauer
Minister of Finance

Madam:

On behalf of the Public Employees Benefits Agency, I have the honour to transmit herewith the Annual Report of the SaskPower Designated Employee Benefit Plan for the year ending December 31, 2018.

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

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

Saskatchewan Power Corporation SaskPower Designated Employee Benefit Plan

Introduction

The Saskatchewan Power Corporation (SaskPower; the Corporation) established the SaskPower Designated Employee Benefit Plan (the Plan) in 1984, for the payment of supplementary retirement benefits to Participants. The purpose of this Plan is to invest employees' monies raised through payroll deduction, voluntary contributions, and banked days off. The Plan is considered to be a salary deferral arrangement (SDA) under the *Income Tax Act* (Canada). The Plan was grandfathered in 1986 when CRA (Canada Revenue Agency) changed the tax rules regarding salary deferral plans at which time the Plan was closed to new employees.

A trust account has been established to hold the investments of the Plan. SaskPower is the sponsor of the Plan and Jerry L. Eliason, Funds Direct Canada Inc., is the Investment Service Provider of the Plan.

The Investment Service Provider has established a separate account for each Participant in the Plan. The funds in a Participant's account may be invested in one or more investment options and a Participant shall be entitled to transfer the funds held under one investment option to another. SaskPower's obligations are limited solely to the making of contributions to the Plan in accordance with the Plan document.

SaskPower was the administrator of the Plan from January 1, 1984, to November 16, 2004. On November 16, 2004, an Order in Council designated the Public Employees Benefits Agency (PEBA) as the administrator of the Plan.

Enrolment

The Plan has been closed to new members since 1986. There are no longer any remaining Participants in the Plan for which SaskPower is actively contributing on the employee's behalf. As of December 31, 2018, there were 21 (2017 – 21) non-active Participants withdrawing from the Plan and an additional one (2017 – one) non-active Participants not withdrawing.

Contributions

SaskPower made basic contributions to the Plan from any of the following sources:

- a) An amount not exceeding 40 per cent of a Participant's salary, as per an election made by the Participant; and
- b) If a basic contribution is made by SaskPower to the Plan, SaskPower shall make an additional contribution to the Plan, which is equal to the amount that it would have contributed to the Defined Contribution Pension Plan.

No Participant is permitted to make contributions directly to the Plan.

Benefits

A Participant's benefit entitlement date is normally the first of the month following the latter of the date upon which the Participant attains the age of 65 and the date the Participant terminates active service with SaskPower.

At least three months prior to the benefit entitlement date a Participant may elect, by notice in writing to SaskPower, to receive the funds held in the Participant's account in one of the following ways:

- a) As a series of periodic installments ending not later than a date 15 years following the Participant's benefit entitlement date; and
- b) As a series of periodic installments payable for the Participant's lifetime or the longer of the Participant's lifetime and the Participant's spouse's lifetime, with or without a guaranteed period. If a guaranteed period is chosen, it shall not exceed 15 years.

The total amount of any installments in one calendar year shall not exceed an amount equal to one fifth of the value of the Participant's account as at the Participant's benefit entitlement date.

Notwithstanding this restriction, the amount of any installment payable after a period of five years from the benefit entitlement date may exceed the amount specified in this paragraph.

Management's Report

To the Members of the Legislative Assembly of Saskatchewan

As administrators of the SaskPower Designated Employee Benefit Plan, we are responsible for the preparation and presentation of the following financial statements accordance with Canadian Accounting Standards for Pension Plans as outlined in the CPA Canada Handbook, section 4600, pension plans. For matters not addressed in section 4600, International Financial Reporting Standards (IFRS) have been followed.

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

The SaskPower Designated Employee Benefit Plan has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian Accounting Standards for Pension Plans.

Enclosed are the financial statements of the SaskPower Designated Employee Benefit Plan for the year ended December 31, 2018, and the Provincial Auditor's report on these financial statements.

Regina, Saskatchewan
April 8, 2019



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

**Saskatchewan Power Corporation
Designated Employee Benefit Plan**

Financial Statements

Year Ended December 31, 2018

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

Opinion

We have audited the financial statements of the Saskatchewan Power Corporation Designated Employee Benefit Plan (Plan), which comprise the statement of financial position as at December 31, 2018, and the statement of changes in net assets available for benefits, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Saskatchewan Power Corporation Designated Employee Benefit Plan as at December 31, 2018, and the changes in its net assets available for benefits for the year then ended in accordance with Canadian accounting standards for pension plans.

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the SaskPower Designated Employee Benefit Plan Annual Report for 2018 but does not include the financial statements and our auditor's report thereon.

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

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

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

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

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

Those charged with governance are responsible for overseeing the Plan's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Plan's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Plan to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.¹

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

Regina, Saskatchewan
April 8, 2019



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

¹ When CAS 600 applies (e.g., SFS, SLGA, U of S), further description of the auditor's responsibilities in a group audit engagement are required (see CAS 700 para. 39(c)).

**Saskatchewan Power Corporation Designated Employee Benefit Plan
Statement of Financial Position**

Statement 1

(in thousands)

As at December 31	2018	2017
Assets		
Investments (Note 3)		
Mutual Funds	\$3,334	\$4,354
Guaranteed Investment Certificates	84	164
Total Assets	3,418	4,518
Net Assets Available for Benefits	\$3,418	\$4,518

(See accompanying notes to the financial statements)

**Saskatchewan Power Corporation Designated Employee Benefit Plan
Statement of Changes in Net Assets Available for Benefits**

Statement 2

For the Year Ended December 31

(in thousands)

	<u>2018</u>	<u>2017</u>
Increase in Assets		
Dividends	\$54	\$106
Interest	2	3
Increase in Fair Value of Investments	—	302
Total Increase in Assets	<u>56</u>	<u>411</u>
Decrease in Assets		
Benefits Paid	990	441
Decrease in Fair Value of Investments	166	—
Total Decrease in Assets	<u>1,156</u>	<u>441</u>
Decrease in Net Assets	(1,100)	(30)
Net Assets Available for Benefits, Beginning of Year	<u>4,518</u>	<u>4,548</u>
Net Assets Available for Benefits, End of Year	<u>\$3,418</u>	<u>\$4,518</u>

(See accompanying notes to the financial statements)

Saskatchewan Power Corporation Designated Employee Benefit Plan

Notes to the Financial Statements

December 31, 2018

1. Description of the Plan

The Saskatchewan Power Corporation (SaskPower; the Corporation) established the SaskPower Designated Employee Benefit Plan (the Plan) in 1984 for the payment of supplementary retirement benefits to Participants. The purpose of this Plan is to invest employees' monies raised through payroll deduction, voluntary contributions, and banked days off. After 1986, banked days off had their own plan called the Supplementary Retirement Benefit Plan which was then replaced in 1988 by the Supplementary Superannuation Plan. The Plan is considered to be a salary deferral arrangement (SDA) under the *Income Tax Act* (Canada). The Plan was grandfathered in 1986 when Canada Revenue Agency (CRA) changed the tax rules regarding salary deferral plans at which time the Plan was closed to new employees.

A trust account has been established to hold the investments of the Plan. SaskPower is the sponsor of the Plan and Jerry L. Eliason, Funds Direct Canada Inc., is the Investment Service Provider of the Plan. The Investment Service Provider has established a separate account for each Participant in the Plan. The funds in a Participant's account may be invested in one or more investment options and a Participant shall be entitled to transfer the funds held under one investment option to another.

SaskPower was the administrator of the Plan from January 1, 1984 to November 16, 2004. On November 16, 2004, an Order in Council designated the Public Employees Benefits Agency (PEBA) as the administrator of the Plan. PEBA continues to be administrator of this Plan under Order in Council 588-2018.

The following description is a summary only. For more complete information, reference should be made to the Plan document.

Enrolment

The Plan has been closed to new members since 1986.

There are no longer any remaining Participants in the Plan for which SaskPower is actively contributing on the employee's behalf. As of December 31, 2018, there were 21 (2017 – 21) non-active Participants withdrawing from the Plan and an additional 1 (2017 – 1) non-active Participant not withdrawing.

Contributions

SaskPower makes basic contributions to the Plan from any of the following sources:

- a) An amount not exceeding 40 per cent of a Participant's salary, as per an election made by the Participant, and
- b) If a basic contribution is made by SaskPower to the Plan, SaskPower shall make an additional contribution to the Plan which is equal to the amount that it would have contributed to the Defined Contribution Pension Plan.

No Participant is permitted to make contributions directly to the Plan.

Benefits

A Participant's benefit entitlement date is normally the first of the month following the latter of the date upon which the Participant attains the age of 65 and the date the Participant terminates active service with SaskPower. If a Participant terminates active service with SaskPower prior to age 65, the Participant must elect an alternate benefit entitlement date which is no earlier than January 31 of the calendar year following the calendar year the Participant makes the election. Notwithstanding the foregoing, in no event shall a Participant's alternate benefit entitlement date be later than the first of the month following the date the Participant attains the age of 65.

At least three months prior to the benefit entitlement date, a Participant may elect, by notice in writing to SaskPower, to receive the funds held in the Participant's account in one of the following ways:

- a) As a series of periodic installments ending not later than a date 15 years following the Participant's benefit entitlement date; and
- b) As a series of periodic installments payable for the Participant's lifetime or the longer of the Participant's lifetime and the Participant's spouse's lifetime, with or without a guaranteed period. If a guaranteed period is chosen, it shall not exceed 15 years.

The total amount of any installments in one calendar year shall not exceed an amount equal to one fifth of the value of the Participant's account as at the Participant's benefit entitlement date. Notwithstanding this restriction, the amount of any installment payable after a period of five years from the benefit entitlement date may exceed the amount specified in this paragraph.

If a Participant terminates active service with SaskPower prior to the age of 65, the Participant may elect to receive the funds contained in the Participant's account in the form of a single payment or such other form as agreeable to SaskPower and the Participant.

Death of a Participant

If a Participant dies prior to the Participant's benefit entitlement date, the Participant shall be deemed to have retired on the Participant's date of death and the Participant's retirement benefits will be paid in the form of an annuity with equalized payments over a ten-year period commencing on the first day of the month following the Participant's date of death.

If a Participant dies after the Participant's benefit entitlement date, then any amounts remaining as unpaid shall be paid in the same form as the Participant elected.

In the event of a Participant's death, the trustee shall make any payments to the person designated in the Participant's will or if no such person has been designated, to the Participant's estate.

2. Basis of Preparation and Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian accounting standards for pension plans as outlined in the CPA Canada Handbook, section 4600, Pension Plans. For matters not addressed in Section 4600, International Financial Reporting Standards (IFRS) have been followed.

The following accounting policies are considered significant:

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.

Investments

Investments are recorded as of the trade date and are stated at fair value. Fair value is the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing partners who are under no compulsion to act.

Investments recorded at fair value are categorized into levels within a fair value hierarchy based on the nature of inputs used in the valuation.

- Level 1 – Quoted prices are readily available from an active market.
- Level 2 – Inputs, other than quoted prices included in level 1, which are observable either directly or indirectly.
- Level 3 – Inputs are not based on observable market data.

The Plan's investments are categorized as level 2.

New standards and interpretations not yet adopted

A number of new IFRS standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2018 and have not yet been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Plan.

Effective January 1, 2018, the Plan adopted IFRS 15, *Revenue from Contracts with Customers*. There was no impact to the financial statements of the Plan upon adoption of the new standard.

3. Investments

Guaranteed Investment Certificates

The Plan allows participants to invest in Guaranteed Investment Certificates (GIC) maturing within one to five years, held with Chartered Banks which are federally insured against failure and bankruptcy. These investments earn interest ranging from 1.34 per cent to 2.30 per cent (2017 – 1.20 per cent to 1.90 per cent).

Mutual Funds

The Plan allows participants to invest in various types of mutual funds including Canadian money market funds, Canadian bonds, Canadian equities, United States equities, Global equities and International equities. As at December 31, 2018, the Plan held investments with the following investment managers:

Mackenzie Investments
Invesco Ltd.
Fidelity Investments

4. Financial Risk Management

The nature of the Plan's operations results in a statement of financial position that consists primarily of financial instruments. The risks that arise are credit risk, market risk (consisting of interest rate risk and foreign exchange risk) and liquidity risk.

Credit Risk

The Plan's credit risk arises primarily from investments. The maximum credit risk to which it is exposed at December 31, 2018 is limited to the carrying value of the financial assets summarized as follows:

	<i>(in thousands)</i>	
	<u>2018</u>	<u>2017</u>
	Carrying value	Carrying value
Investments ¹	\$3,418	\$4,518

¹ GIC & Mutual Funds

This risk is managed through insurance held by the investment managers on the investments in the Plan.

Market Risk

Market risk represents the potential for loss from changes in the value of financial instruments. Value can be affected by change in interest rates and foreign exchange rates. Market value risk primarily impacts the value of investments.

a) Interest rate risk

The Plan is exposed to changes in interest rates in its investments. This risk is managed by investing in financial assets of fixed rates and short-term duration.

b) Foreign exchange risk

The Plan is exposed to changes in foreign exchange rates through its Mutual Fund investments. The risk of the fluctuations in foreign exchange rates on investments is not considered significant.

Liquidity Risk

Liquidity risk is the risk that the Plan is unable to meet its financial obligations as they fall due. The Plan manages this risk by investing in financial assets which are federally insured against failure and bankruptcy.

5. Related Parties

SaskPower and PEBA are related to the Plan by virtue of common control by the Government of Saskatchewan. The Plan is also related to key management personnel and/or their close family members.

The Plan has received use of office space and administrative services from SaskPower at no charge. PEBA provides administrative services to the Plan for an administration fee which is paid by SaskPower.

6. Statement of Changes in Accrued Benefits Obligation

A statement of changes in accrued benefits obligation has not been presented in these financial statements as there is no pension obligation presented.