

# SaskPower Severance Pay Credits Plan



## Annual Report for 2013



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# Letters of Transmittal



Her Honour, The Honourable Vaughn Solomon Schofield  
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 Severance Pay Credits Plan for the year ending December 31, 2013.

A handwritten signature in black ink, appearing to read "Ken Krawetz". The signature is fluid and cursive.

Ken Krawetz  
Minister of Finance

The Honourable Ken Krawetz  
Minister of Finance

Sir:

On behalf of the Public Employees Benefits Agency, I have the honour to transmit herewith the Annual Report of the SaskPower Severance Pay Credits Plan for the year ending December 31, 2013.

A handwritten signature in black ink, appearing to read "Brian Smith". The signature is fluid and cursive.

Brian Smith  
Assistant Deputy Minister  
Public Employees Benefits Agency

# Saskatchewan Power Corporation

## SaskPower Severance Pay Credits Plan

### Introduction

The Saskatchewan Power Corporation (SaskPower; the Corporation) established the SaskPower Severance Pay Credits Plan (the Plan) for the purpose of providing severance benefits to SaskPower employees.

The Plan is not registered as a pension plan under the *Income Tax Act* (Canada). The Corporation has not established a trust nor does it hold property for the specific purpose of providing benefits to the Participants. Benefits are funded out of current operations of the Corporation.

On January 13, 2004, an Order in Council designated the Public Employees Benefits Agency (PEBA) as the administrator of the Plan.

### Participants

The Plan consists of International Brotherhood of Electrical Workers (IBEW), Communications, Energy and Paperworkers Union (CEP), and Management employees. As of December 31, the following number of participants were eligible to receive benefits from each type of severance benefit payable under the Plan.

Benefit Type	# of participants
Pre-1996*	781
Post-1995*	585
Pre-2005**	414
Post-2005**	132

\* Includes both IBEW and Management employees

\*\* Includes CEP employees

### Benefits

The following describes the various types of severance benefits payable on retirement, termination or death for all Participants under the Plan:

- a) Pre-1996 severance pay credits are benefits provided to IBEW and Management employees for company service time prior to January 1, 1996.
- b) Post-1995 severance pay credits are benefits provided to IBEW and Management employees for company service time after January 1, 1996.
- c) Pre-2005 severance pay credits are benefits provided to CEP employees for company service time prior to February 1, 2005.
- d) Post-2005 severance pay credits are benefits provided to CEP employees for company service time after February 1, 2005.
- e) For those employees who voluntarily opted out of the Millennium Registered Retirement Savings Plan (MRRSP) due to insufficient RRSP contribution room, any eligible company service will be paid out under the provisions of the Plan document.

Each Participant receives five days per year of service at their hourly rate of pay in effect at retirement, termination or death based on the number of hours worked per day.

Upon termination of active service, Participants elect how severance benefits are to be paid. In the event of termination of service, SaskPower, on behalf of the Plan, may pay a Participant's severance benefits in a lump sum.

# Management's Report

To the Members of the Legislative Assembly of Saskatchewan

As administrators of the SaskPower Severance Pay Credits Plan, we are responsible for the preparation and presentation of the following financial statements 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 significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

We believe the SaskPower Severance Pay Credits 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.

I enclose the financial statements of the SaskPower Severance Pay Credits Plan for the year ended December 31, 2013 and the Provincial Auditor's report on these financial statements.



Brian Smith  
Assistant Deputy Minister  
Public Employees Benefits Agency

Regina, Saskatchewan  
April 3, 2014

# Actuaries' Opinion

Aon Hewitt was retained by Saskatchewan Power Corporation (SaskPower) to perform an actuarial valuation of the SaskPower Severance Pay Credits Plan's financial status as of September 30, 2013, with a subsequent extrapolation to December 31, 2013. This extrapolation has been prepared for the purpose of determining the actuarial information to be included in the Plan's financial statements as of December 31, 2013.

In my opinion, for the purpose of this actuarial extrapolation:

- The data on which this extrapolation is based is sufficient and reliable;
- Where applicable, the assumptions have been adopted as management's best estimates for accounting purposes and consequently I have not rendered an opinion on them; however, the assumptions are, in aggregate, not unreasonable when considering the circumstances of the plan and the purpose of the valuation and extrapolation;
- The actuarial cost method employed is appropriate; and
- The extrapolation conforms with the requirements of IFRS.

Nonetheless, emerging experience differing from the assumptions will result in gains or losses that will be revealed in subsequent extrapolations.

This actuarial extrapolation has been prepared and this actuarial opinion has been given in accordance with accepted actuarial practice.

A handwritten signature in black ink, appearing to read "Paul Hebert", with a long horizontal flourish extending to the right.

Paul Hebert  
Fellow, Society of Actuaries  
Fellow, Canadian Institute of Actuaries

January 21, 2014



# **SaskPower Severance Pay Credits Plan**

## **Financial Statements**

**Year Ended December 31, 2013**



## Independent Auditor's Report

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Saskatchewan Power Corporation Severance Pay Credits Plan, which comprise the statement of financial position as at December 31, 2013, and the statement of changes in accrued benefits obligation for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

### *Opinion*

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Saskatchewan Power Corporation Severance Pay Credits Plan as at December 31, 2013, and the changes in net assets available for benefits for the year then ended in accordance with Canadian accounting standards for pension plans.

Judy Ferguson, FCA  
Acting Provincial Auditor

Regina, Saskatchewan  
April 3, 2014

**Saskatchewan Power Corporation  
Severance Pay Credits Plan  
Statement of Financial Position**

**Statement 1**

	(in thousands)	
AS AT DECEMBER 31	2013	2012
<b>ASSETS</b>		
SaskPower contribution receivable (Note 4)	\$ 22,065	\$ 24,223
Total assets	22,065	24,223
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>	22,065	24,223
Accrued benefits obligation (Note 4)	22,065	24,223
<b>SURPLUS</b>	\$ ---	\$ ---

(See accompanying notes to the financial statements)

**Saskatchewan Power Corporation  
Severance Pay Credits Plan  
Statement of Changes in Accrued Benefits Obligation**

**Statement 2**

**For the Year Ended December 31**

	(in thousands)	
	2013	2012
<b>INCREASE IN ACCRUED BENEFITS OBLIGATION</b>		
Interest on accrued benefits obligation	\$ 744	\$ 965
Changes in actuarial assumptions	-	590
Experience losses	475	694
Benefits accrued	7	11
Total increase in accrued benefits obligation	1,226	2,260
<b>DECREASE IN ACCRUED BENEFITS OBLIGATION</b>		
Employee termination benefits	2,658	4,018
Changes in actuarial assumptions	673	1,757
Plan amendment	53	-
Total decrease in accrued benefits obligation	3,384	5,775
Net decrease in accrued benefits obligation	(2,158)	(3,515)
ACCRUED BENEFITS OBLIGATION, beginning of the year	24,223	27,738
ACCRUED BENEFITS OBLIGATION, end of the year	\$ 22,065	\$ 24,223

(See accompanying notes to the financial statements)

# Saskatchewan Power Corporation Severance Pay Credits Plan Notes to the Financial Statements

December 31, 2013

## 1. Description of the Plan

The Saskatchewan Power Corporation (SaskPower; the Corporation) established the SaskPower Severance Pay Credits Plan (the Plan) for the purpose of providing severance benefits to SaskPower employees.

The Plan is not registered as a pension plan under the *Income Tax Act (Canada)*. The Corporation has not established a trust nor does it hold property for the specific purpose of providing benefits to the Participants. Benefits are funded out of current operations of the Corporation.

On January 13, 2004, an Order in Council designated the Public Employees Benefits Agency (PEBA) as the administrator of the Plan.

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

### Participants

The Plan consists of International Brotherhood of Electrical Workers (IBEW), Communications, Energy and Paperworkers Union (CEP), and Management employees. The following number of participants were eligible to receive benefits from each type of severance benefit payable under the Plan.

	2013	2012
Pre-1996*	781	836
Post-1995*	585	563
Pre-2005**	414	455
Post-2005**	132	130

\* Includes both IBEW and Management employees

\*\* Includes CEP employees

### Benefits

The following describes the various types of severance benefits payable on retirement, termination or death for all Participants under the Plan:

- Pre-1996 severance pay credits are benefits provided to IBEW and Management employees for company service time prior to January 1, 1996.
- Post-1995 severance pay credits are benefits provided to IBEW and Management employees for company service time after January 1, 1996.
- Pre-2005 severance pay credits are benefits provided to CEP employees for company service time prior to February 1, 2005.
- Post-2005 severance pay credits are benefits provided to CEP employees for company service time after February 1, 2005.

- e) For those employees who voluntarily opted out of the Millennium Registered Retirement Savings Plan (MRRSP) due to insufficient RRSP contribution room, any eligible company service will be paid out under the provisions of the Plan document.

Each Participant receives 5 days per year of service at their hourly rate of pay in effect at retirement, termination or death based on the number of hours worked per day for management and as specified in the collective bargaining agreements for IBEW and CEP employees.

Upon termination of active service, Participants elect how severance benefits are to be paid. In the event of termination of service, SaskPower, on behalf of the Plan, may pay a Participant's severance benefits in a lump sum.

## **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:

### **a) Basis of Measurement**

The financial statements have been prepared on the historical cost basis.

### **b) Financial Instruments**

All financial instruments are measured at fair value on initial recognition and recorded on the statement of financial position. Financial instruments classified as loans and receivables are subsequently measured at amortized cost. The SaskPower contribution receivable, a financial instrument, has been classified in the loans and receivable category. As described in Note 3, the fair value of this receivable is its carrying value.

### **c) Accrued Benefits Obligation**

The accrued benefits obligation and cost of severance benefits are determined using the projected benefit method pro-rated on service.

### **d) New Standards and Interpretations Not Yet Adopted**

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2013, 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 on the Plan.

## **3. Financial Risk Management**

The nature of the Plan's operations result in a statement of financial position that consists entirely of financial assets and liabilities. As benefits are funded out of current operations of SaskPower, the Plan's financial risks relate primarily to credit risk. The maximum credit risk to which it is exposed at December 31, 2013 is limited to the carrying value of its contributions receivable from SaskPower.

#### 4. Accrued Benefits Obligation

The accrued benefits obligation of the Plan is receivable from SaskPower and will be funded by SaskPower as participants begin receiving their benefits. The present value of the accrued benefits obligation was determined using the projected benefits method prorated on service and the best estimate assumptions of SaskPower's management. Experience gains (losses) result from actual experience differing from that expected and are recognized as an increase or decrease in accrued benefit obligations.

An actuarial valuation was performed by Aon Hewitt (Aon) as at September 30<sup>th</sup> for both 2012 and 2013 to determine the actuarial present value of the accrued benefits obligation and is extrapolated by Aon Hewitt to December 31<sup>st</sup> of each year. The next actuarial valuation is expected to be performed at September 30, 2014 and extrapolated to December 31, 2014.

The accrued benefits obligation is based on many assumptions about future events. Actual experience may vary significantly from the long-term assumptions used. The significant long-term actuarial assumptions adopted in measuring SaskPower's accrued benefits obligation at December 31 are:

	2013	2012
Discount rate, beginning of year	3.25%	3.75%
Discount rate, end of year	4.00%	3.25%
Promotional Earnings Increases (Management)	1.40%	1.40%
Promotional Earnings Increases (IBEW and CEP)	0.70%	0.70%
Termination Rate	0.90%	0.90%
Long-term rate of compensation increases	2.00%	2.00%
Remaining service life – Pre-1996 (years)	5.20	5.60
Remaining service life – Post-1995 (years)	21.50	22.10
Remaining service life – Pre-2005 (years)	8.50	9.20
Remaining service life – Post-2005 (years)	23.40	23.50

The actuarial present value of the accrued benefits obligation is long-term in nature and there is no market for settling this obligation. Therefore, determination of the fair value is not practicable.

If the discount rate was increased by 1.0 per cent, the impact would be a 3.5 per cent decrease to the accrued benefits obligation at December 31, 2013. Conversely, if the long-term rate of compensation was increased by 1.0 per cent, the impact would be a 4.0 per cent increase to the accrued benefits obligation at December 31, 2013.

#### 5. Related Parties

SaskPower and PEBA are related by virtue of common control by the Government of Saskatchewan.

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

#### 6. Statement of Changes in Net Assets Available for Benefits

A statement of changes in net assets available for benefits has not been presented in these financial statements as the information is readily available in the statements and the notes thereto.