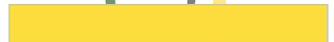


# Water Security Agency Retirement Allowance Plan



**2012-13  
ANNUAL REPORT**





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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 Water Security Agency Retirement Allowance Plan for the year ending March 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 Water Security Agency Retirement Allowance Plan for the year ending March 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

# Water Security Agency Retirement Allowance Plan

## Introduction

The Water Security Agency (WSA) established the Water Security Agency Retirement Allowance Plan (the Plan) for the purpose of providing certain retirement benefits to out-of-scope employees of the WSA.

The Plan is not registered as a pension plan under the *Income Tax Act* (Canada). The WSA 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 WSA.

On November 16, 2004, an Order-in-Council designated the Plan as a benefit program to be operated, administered and managed by the Public Employees Benefits Agency (PEBA).

Bill 47, the Saskatchewan Watershed Authority Amendment Act, 2012, continues the Saskatchewan Watershed Authority as the Water Security Agency.

## Enrolment

The Plan includes all out-of-scope employees of the WSA. As at March 31, 2013, there were 71 active members in the Plan.

## Benefits

Members of the Plan retiring from the WSA, in accordance with the provision of the pension plan they are enrolled in, are paid a retirement allowance of two (2) days pay for each year of service or portion thereof to a maximum of forty (40) days pay effective January 1, 2006. The retirement allowance is calculated at the employee's regular rate of pay at the date of retirement.

# Management's Report

To the Members of the Legislative Assembly of Saskatchewan

As administrators of the Water Security Agency Retirement Allowance Plan, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian generally accepted accounting principles applied on a basis consistent with that of the preceding year.

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

We believe the Water Security Agency Retirement Allowance 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.

We enclose the financial statements of the Water Security Agency Retirement Allowance Plan for the year ended March 31, 2013 and the Provincial Auditor's report on these financial statements.

Regina, Saskatchewan  
July 15, 2013



Brian Smith  
Assistant Deputy Minister  
Public Employees Benefits Agency

# **Water Security Agency Retirement Allowance Plan**

## **Financial Statements**

**Year Ended March 31, 2013**



## INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Water Security Agency Retirement Allowance Plan, which comprise the statement of financial position as at March 31, 2013, and the statements of changes in net assets available for benefits and changes in 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 Water Security Agency Retirement Allowance Plan as at March 31, 2013, and the changes in net assets available for benefits and the changes in benefits obligation for the year then ended in accordance with Canadian accounting standards for pension plans.

Regina, Saskatchewan  
July 15, 2013

Bonnie Lysyk, MBA, CA  
Provincial Auditor

**Water Security Agency  
Retirement Allowance Plan  
Statement of Financial Position**

**Statement 1**

**As At March 31**

	<u>2013</u>	<u>2012</u>
<b>Net assets available for benefits</b>		
Water Security Agency contribution receivable (Note 3)	<u>\$581,600</u>	<u>\$479,700</u>
	<u>581,600</u>	<u>479,700</u>
<b>Benefits obligation</b> (Note 3)	<u>581,600</u>	<u>479,700</u>
<b>Surplus</b>	<u>\$ -</u>	<u>\$ -</u>

(See accompanying notes to the financial statements)

**Water Security Agency  
Retirement Allowance Plan  
Statement of Changes in Net Assets Available for Benefits**

**Statement 2**

**Year Ended March 31**

	<u>2013</u>	<u>2012</u>
<b>Increase in Assets</b>		
Increase in Water Security Agency contribution receivable (Note 3)	<u>\$131,900</u>	<u>\$103,200</u>
Total increase in assets	<u>131,900</u>	<u>103,200</u>
<b>Decrease in Assets</b>		
Benefits paid	<u>30,000</u>	<u>18,100</u>
Total decrease in assets	<u>30,000</u>	<u>18,100</u>
Increase in net assets	<u>101,900</u>	<u>85,100</u>
NET ASSETS AVAILABLE FOR BENEFITS, beginning of the year	<u>479,700</u>	<u>394,600</u>
NET ASSETS AVAILABLE FOR BENEFITS, end of the year (to Statement 1)	<u>\$581,600</u>	<u>\$479,700</u>

(See accompanying notes to the financial statements)

**Water Security Agency  
Retirement Allowance Plan  
Statement of Changes in Benefits Obligation**

**Statement 3**

**Year Ended March 31**

	<u>2013</u>	<u>2012</u>
Benefits obligation, beginning of year	\$479,700	\$394,600
<b>Increase in benefits obligation</b>		
Benefits accrued	23,000	19,700
Interest on benefits	18,000	18,600
Plan experience	17,600	48,500
Change in assumptions	7,800	16,400
Prior period service costs arising from plan amendments (Note 4)	65,500	-
	<u>131,900</u>	<u>103,200</u>
<b>Decrease in benefits obligation</b>		
Benefits paid	30,000	18,100
	<u>30,000</u>	<u>18,100</u>
Benefits obligation, end of year (Statement 1)	<u>\$581,600</u>	<u>\$479,700</u>

(See accompanying notes to the financial statements)

**Water Security Agency  
Retirement Allowance Plan  
Notes to the Financial Statements  
March 31, 2013**

**1. Description of the Plan**

The Water Security Agency (WSA) established the Water Security Agency Retirement Allowance Plan (the Plan) for the purpose of providing certain retirement benefits to out-of-scope employees of the WSA.

The Plan is not registered as a pension plan under the *Income Tax Act* (Canada). The WSA 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 WSA.

On November 16, 2004, an Order-in-Council designated the Plan as a benefit program to be operated, administered and managed by the Public Employees Benefits Agency (PEBA). An agreement has been established between PEBA and the WSA, which specifies the administrative services that the WSA will provide.

Bill 47, the *Saskatchewan Watershed Authority Amendment Act, 2012*, continues the Saskatchewan Watershed Authority as the Water Security Agency, effective October 1, 2012.

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

**Eligibility**

The Plan includes all out-of-scope employees of WSA. As at March 31, 2013, there were 71 (2012 – 57) active members in the Plan.

**Benefits**

Employees retiring from WSA, in accordance with the provisions of the pension plan they are enrolled in, are paid a retirement allowance of two (2) days pay for each year of service or portion thereof to a maximum of forty (40) days pay effective January 1, 2006. The retirement allowance is calculated at the employee's regular rate of pay at the date of retirement.

**2. Significant Accounting Policies**

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

The financial statements were authorized and issued on July 15, 2013.

### 3. Benefits Obligation

The benefits obligation of the Plan is receivable from WSA and will be funded by WSA as eligible employees retire. The present value of the benefits obligation was determined using the projected benefits method prorated on service and the best estimate assumptions of WSA's management. Plan experience is the difference between the expected and actual benefits obligation recognized as an increase or decrease in the statement of changes in benefits obligation. AON Consulting Inc. performed an actuarial valuation as at March 31, 2013 and March 31, 2012 to determine the actuarial present value of the benefits obligation. The effective date of the next actuarial valuation will be March 31, 2014.

The benefits obligation is based on many assumptions about future events. Actual experience may vary significantly from the long-term assumptions used. The actuarial valuation is based on the following assumptions:

	<u>2013</u>	<u>2012</u>
Discount rate	3.40%	3.70%
Inflation rate	2.50%	2.50%
Salary increase	3.00%	2% @ Jan 1, 2013; 3% thereafter
Termination rate up to age 50	5.00%	5.00%

Retirement - members of the Capital Pension Plan – at age 60

The following illustrates the effect of changes in these assumptions on the benefits obligation:

<b>Assumption</b>	<b>Change Made</b>	<b>Change in Obligation at March 31, 2013</b>	<b>Percentage Change in Obligation</b>
Annual termination rate	Plus 0.5%	(2,100)	(0.4%)
	Minus 0.5%	2,100	0.4%
Discount rate	Plus 0.5%	(12,600)	(2.2%)
	Minus 0.5%	13,300	2.3%
General salary increase	Plus 0.5%	13,300	2.3%
	Minus 0.5%	(12,800)	(2.2%)

The actuarial present value of the 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.

### 4. Prior Period Service Costs

Prior period service costs represent past service liabilities for the additional 8 employees who transferred to WSA and were deemed eligible for benefits under the Water Security Agency Retirement Allowance Program since March 31, 2012.

### 5. Financial Risk Management

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

## **6. Related Parties**

Included in these financial statements are transactions with WSA who is related to the Plan by virtue of common control by the Government of Saskatchewan.

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