

# Extended Health Care Plan for Certain Other Employees



## 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 twenty-second Annual Report of the Extended Health Care Plan for Certain Other Employees 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 Advisory Committee, I have the honour to transmit herewith the twenty-second Annual Report of the Extended Health Care Plan for Certain Other Employees 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

## Extended Health Care Plan for Certain Other Employees

### Introduction

The Extended Health Care Plan for Certain Other Employees was established on January 1, 1997.

The Fund is used to account for the transactions of the Extended Health Care Plan for Certain Other Employees which provides health care benefits to certain out-of-scope employees.

As at December 31, 2018, participation in the Plan has been approved by the Lieutenant Governor in Council for out-of-scope employees of the Government of Saskatchewan as defined under *The Public Service Act, 1998*.

### Advisory Committee Members

Rachel Cheruvallath, Chair  
Ministry of Health

Peggy Atkinson  
Public Service Commission

Dave Morhart  
Ministry of Health

Gwen Mowbray  
Public Service Commission

Carrie Bjola-Matileg  
Public Service Commission

Terry Kuyek  
Public Service Commission

### Participating Employers

The following employers participate in The Extended Health Care Plan for Certain Other Employees:

Advocate for Children and Youth (Office of the Board of Arbitration under *The Surface Rights Acquisition and Compensation Act* (The Chief Electoral Officer (Office of the) eHealth Saskatchewan

Farm Land Security Board  
Financial and Consumer Affairs Authority of Saskatchewan  
Global Transportation Hub Authority (The Information and Privacy Commissioner (Office of the)  
Innovation Saskatchewan  
Livestock Services of Saskatchewan Corporation  
Ombudsman (Office of the)  
Physician Recruitment Agency of Saskatchewan  
Provincial Archives of Saskatchewan  
Public Interest Disclosure Commissioner (Office of the)  
Saskatchewan Milk Marketing Board  
Saskatchewan Municipal Board  
SaskBuilds Corporation  
Technical Safety Authority of Saskatchewan  
The Government of Saskatchewan with respect to members of the Public Service of Saskatchewan as defined under *The Public Service Act, 1998*

### Administration

The Public Employees Benefits Agency has established a fund pursuant to *The Financial Administration Act, 1993*, for the purpose of providing benefits under the Plan. An Advisory Committee is responsible for the management and investment of the Fund. The Advisory Committee consists of six representatives as nominated by the Saskatchewan Public Service Commission and appointed by Minister's Order.

The Plan pays a monthly premium to The Great-West Life Assurance Company who provide insured extended health coverage to eligible employees. The Plan's risk is limited to the payment of premiums as follows under the two-year contract effective January 1, 2018:

Single	\$ 59.68	per month
Couple	\$115.95	per month
Family	\$143.05	per month

## **Funding**

Funding for members covered is employer paid as follows:

- effective January 1, 1997 – 1.0 per cent of straight time annual payroll;
- effective July 1, 2002 – 1.25 per cent of straight time annual payroll;
- effective July 1, 2003 – 1.35 per cent of straight time annual payroll;
- effective July 1, 2006 – 1.55 per cent of straight time annual payroll.

## **Benefits**

An employee is eligible for benefits at the start of the pay period immediately upon commencement of employment. Claims are paid on behalf of eligible family members and covers certain health and vision care benefits.

# Management's Report

To the Members of the Legislative Assembly of Saskatchewan

As members of management of the Extended Health Care Plan for Certain Other Employees, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian public sector accounting standards.

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

The Extended Health Care Plan for Certain Other Employees has a system of internal controls adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian public sector accounting standards.

An Advisory Committee, as nominated by the Public Service Commission and appointed by Minister's Order, has been established and is responsible for reviewing the ongoing operations of the Plan.

Enclosed are the financial statements of the Extended Health Care Plan for Certain Other Employees 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



## **Extended Health Care Plan For Certain Other Employees**

### **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 Extended Health Care Plan for Certain Other Employees, which comprise the statement of financial position as at December 31, 2018, the statement of operations and change in net assets and accumulated surplus and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2018, and the results of its operations, its changes in net assets, and its cash flow for the year then ended in accordance with Canadian public sector accounting standards.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Extended Health Care Plan for Certain Other Employees 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 Extended Health Care Plan for Certain Other Employees *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 public sector accounting standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Extended Health Care Plan for Certain Other Employees' 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 Extended Health Care Plan for Certain Other Employees' 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 Extended Health Care Plan for Certain Other Employees' 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 Extended Health Care Plan for Certain Other Employees' 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 Extended Health Care Plan for Certain Other Employees to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Regina, Saskatchewan  
April 8, 2019

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

**Extended Health Care Plan For Certain Other Employees  
Statement of Financial Position**

**Statement 1**

**As At December 31**

	<u>2018</u>	<u>2017</u>
<b>Financial Assets</b>		
Due from General Revenue Fund (Note 3)	\$ 6,241,834	\$ 5,876,115
Employer Contributions Receivable	344,647	337,157
Other Receivables	<u>26,987</u>	<u>14,792</u>
	<u>6,613,468</u>	<u>6,228,064</u>
<b>Liabilities</b>		
Accounts Payable and Accrued Liabilities	<u>9,797</u>	<u>3,466</u>
Net Assets and Accumulated Surplus (Statement 2)	<u>\$ 6,603,671</u>	<u>\$ 6,224,598</u>

(See accompanying notes to the financial statements)

**Extended Health Care Plan For Certain Other Employees  
Statement of Operations and Change in Net Assets and Accumulated Surplus**

**Statement 2**

For The Year Ended December 31

	<b>2018</b>		<b>2017</b>
	<u>Budget</u> (Note 6)	<u>Actual</u>	<u>Actual</u>
<b>Revenues</b>			
Employer Contributions (Note 1)	\$ 4,018,821	\$ 4,106,646	\$ 4,026,066
Interest Income (Note 3)	62,134	85,449	39,749
	<u>4,080,955</u>	<u>4,192,095</u>	<u>4,065,815</u>
<b>Expenses</b>			
Insurance Premiums	3,757,910	3,854,996	3,393,018
Provincial Sales Tax (Note 6)	225,475	(84,331)	84,331
Administration	49,794	42,357	30,785
	<u>4,033,179</u>	<u>3,813,022</u>	<u>3,508,134</u>
Operating Surplus	47,776	379,073	557,681
Net Assets and Accumulated Surplus, Beginning of Year	<u>6,224,598</u>	<u>6,224,598</u>	<u>5,666,917</u>
Net Assets and Accumulated Surplus, End of Year (Statement 1)	<u>\$ 6,272,374</u>	<u>\$ 6,603,671</u>	<u>\$ 6,224,598</u>

(See accompanying notes to the financial statements)

**Extended Health Care Plan For Certain Other Employees  
Statement of Cash Flow**

**Statement 3**

**For The Year Ended December 31**

	<u>2018</u>	<u>2017</u>
<b>Cash Flow from (Used In) Operating Activities:</b>		
Employer Contributions Received	\$ 4,099,156	\$ 4,021,550
Interest Income Received	73,254	31,880
Insurance Premiums Paid	(3,854,996)	(3,675,257)
Provincial Sales Tax Paid	84,331	(84,331)
Administration Expenses Paid	(36,026)	(40,785)
<b>Cash Flow from Operating Activities</b>	<u>365,719</u>	<u>253,057</u>
Net Increase in Due from General Revenue Fund	365,719	253,057
Due from General Revenue Fund, Beginning of Year	<u>5,876,115</u>	<u>5,623,058</u>
Due from General Revenue Fund, End of Year	<u>\$ 6,241,834</u>	<u>\$ 5,876,115</u>

(See accompanying notes to the financial statements)

## **Extended Health Care Plan For Certain Other Employees Notes to the Financial Statements**

**December 31, 2018**

### **1. Description of the Plan**

The Extended Health Care Plan For Certain Other Employees (Plan) was established on January 1, 1997, pursuant to subsection 64(2) of *The Financial Administration Act, 1993*. The Plan provides extended health care benefits to certain out-of-scope employees of the Government's ministries and other agencies.

The Plan is funded by employers, whose participation in the Plan has been approved by the Lieutenant Governor in Council. The Minister of Finance approved the contribution rate of 1.55 per cent of regular payroll.

The Government, through the Minister of Finance, entered into an agreement with an insurance company to provide eligible employees with extended health coverage. The Plan's risk is limited to the payment of premiums to the insurance company.

The Public Employees Benefits Agency (PEBA) manages the Plan under direction from the Advisory Committee. The Advisory Committee is made up of employers' representatives appointed by Minister's Order.

### **2. Significant Accounting Policies**

These financial statements are prepared in accordance with Canadian public sector accounting standards. These statements do not present a Statement of Re-measurement Gains and Losses as the Plan has no re-measurement gains or losses. The following accounting policies are considered significant:

#### **a) Employer Contributions**

Employers are billed premiums at the end of each month. Premiums are recognized as revenue when due.

#### **b) Interest Revenue**

Interest is recognized as income when earned.

c) Financial Instruments

The Canadian Public Sector Accounting Handbook, Section 3450 establishes standards for recognizing and measuring financial assets and financial liabilities. The measurement basis depends on whether the financial assets or liabilities have been categorized in one of two measurement categories: fair value, or cost or amortized cost.

The Plan's financial assets include Due from General Revenue Fund, employer contributions receivable and other receivables. The Plan's financial liabilities include accounts payable and accrued liabilities. The Plan has categorized and measured all its financial assets and financial liabilities at cost.

d) Accounting Policy changes

Effective for fiscal years beginning on or after April 1, 2017, certain new standards, amendments to standards and interpretations were adopted.

- i) PS 2200 Related Party Disclosures, a new standard defining related parties and establishing disclosure requirements for related party transactions.
- ii) PS 3210 Assets, a new standard providing guidance for applying the definition of assets and establishing disclosure standards for assets.
- iii) PS 3320 Contingent Assets, a new standard defining and establishing disclosure standards on contingent assets.
- iv) PS 3380 Contractual Rights, a new standard defining and establishing disclosure standards on contractual rights.
- v) PS 3420 Inter-Entity Transactions, a new standard establishing guidance on accounting for and reporting on transactions between entities that comprise a government's reporting entity.

The adoption of these new and amended standards had no impact on the financial statements.

**3. Due from General Revenue Fund**

The Plan's bank account is included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan. The Plan's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis into the Plan's bank account using the Government's thirty day borrowing rate, and the Plan's average daily bank account balance. The Government's average thirty day borrowing rate in 2018 was 1.41 per cent (2017 – 0.70 per cent).

**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 risk that arises from financial instruments is credit risk. The Plan is not exposed to market risk or liquidity risk as it does not hold any investments.

## Credit Risk

Credit risk is the risk that one party does not pay funds owed to another party. The Plan's credit risk arises primarily from the following distinct sources:

	<u>2018</u>	<u>2017</u>
Due from General Revenue Fund	\$6,241,834	\$5,876,115
Employer Contributions Receivable	344,647	337,157
Other Receivables	26,987	14,792

The maximum credit risk to which the Plan is exposed is limited to the carrying value of the financial assets summarized above.

The Plan is exposed to minimal credit risk from the potential non-payment of employer contributions and other receivables as these are receivables from government agencies and were collected shortly after year end. The Due from General Revenue Fund account is minimal risk as the funds are held in the Plan's own bank account under the Consolidated Offset Bank arrangement for the Government of Saskatchewan. There has been no change in the risk exposure in 2018.

## **5. 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, as well as key management personnel and their close family members (collectively referred to as "related parties"). Related party transactions with the Plan are in the normal course of operations and are recorded at fair market value.

## **6. Provincial Sales Tax**

Provincial Sales Tax (PST) of six per cent applied to all insurance premiums with an effective date on or after August 1, 2017.

On February 26, 2018, the Government of Saskatchewan announced that there will be a reinstatement of the PST exemption on life and health insurance premiums. The exemption is retroactive to August 1, 2017. As a result, the Plan recorded a PST refund of \$84,331 in 2018.

## **7. Budget**

PEBA prepares the budget for approval by the Advisory Committee. The budget was approved on January 19, 2018.