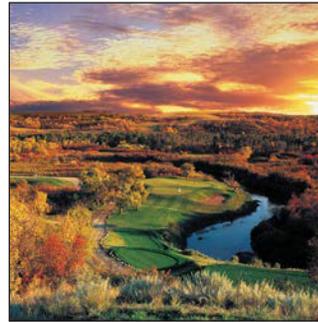


# Extended Health Care Plan for Retired Employees



## Annual Report for 2017



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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 sixteenth Annual Report of the Extended Health Care Plan for Retired Employees for the year ending December 31, 2017.



Donna Harpauer  
Minister of Finance

The Honourable Donna Harpauer  
Minister of Finance

Madam:

On behalf of the Joint Board of Trustees, I have the honour to transmit herewith the sixteenth Annual Report of the Extended Health Care Plan for Retired Employees for the year ending December 31, 2017.



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

## **Extended Health Care Plan for Retired Employees**

### **Introduction**

The Extended Health Care Plan for Retired Employees was established on January 15, 2002.

The Fund is used to account for the transactions of the Extended Health Care Plan for Retired Employees which provides health care benefits to eligible retired employees of the Government of Saskatchewan.

As at December 31, 2017, participation in the Plan has been approved by the Lieutenant Governor in Council for all government organizations whose employees are employees of the Government of Saskatchewan as defined under *The Public Service Act, 1998*, and who are members of PS/GE SGEU or CUPE 600.

### **Joint Board of Trustees**

Dale Daniels  
Public Service Commission

Kevin Wilson  
Ministry of Health

Dave Morhart  
Ministry of Health

Carrie Bjola-Matileg  
Public Service Commission

Gwen Mowbray  
Public Service Commission

Terry Kuyek  
Public Service Commission

Saskatchewan Government and General Employees' Union (SGEU):

Timothy McKay  
Mac Trost  
Kirk Hogarth  
Lovyl Zweifel

Canadian Union of Public Employees (CUPE), Local No. 600:

Jacalyn Luterbach  
Joe Murrell

### **Participating Employers**

The following employers participate in the Extended Health Care Plan for Retired Employees:

With respect to individuals who are, or who immediately prior to the termination of their employment were, members of the Saskatchewan Government and General Employees' Union (SGEU):

Advocate for Children and Youth (Office of the Board of Arbitration under *The Surface Rights Acquisition and Compensation Act* (The eHealth Saskatchewan  
Enterprise Saskatchewan  
Farm Land Security Board  
Financial & Consumer Affairs Authority of Saskatchewan  
Horned Cattle Fund  
Information and Privacy Commissioner (Office of the)  
Innovation Saskatchewan  
Livestock Services of Saskatchewan Corporation  
Ombudsman (Office of the)  
Prairie Diagnostic Services Inc.  
Provincial Archives of Saskatchewan  
Public Interest Disclosure Commissioner (Office of the)  
Saskatchewan Milk Marketing Board  
Saskatchewan Municipal Board  
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*

With respect to individuals who are, or who immediately prior to the termination of their employment were, members of the Canadian Union of Public Employees (CUPE), Local No. 600-3 and 600-5:

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. A Joint Board of Trustees, comprised of an equal number of management and union representatives, has been established and is responsible for reviewing the ongoing operations of the Plan.

The Great-West Life Assurance Company provides insured extended health coverage to eligible retirees.

The Plan pays a premium subsidy to The Great-West Life Assurance Company on behalf of PS/GE SGEU retirees. The Plan's risk is limited to the payment of the monthly premium subsidy as follows under the two-year contract effective January 1, 2016:

Single	\$ 14.25	per month
Couple	\$ 28.50	per month
Family	\$ 35.65	per month

## Funding

Effective October 1, 2002, funding for the Plan was established at a rate of 0.25 per cent of straight time annual payroll. For the period December 1, 2004, to November 30, 2005, the Government and PS/GE SGEU decided to divert funding to the PS/GE SGEU Benefit Plans' Surplus Fund. This amounted to \$1,013,682.

## Benefits

All PS/GE SGEU and CUPE 600 employees meeting the Definition of a Retiree are eligible to enroll in the plan.

Claims are paid on behalf of eligible family members and cover certain health and vision care benefits.

### Definition of PS/GE SGEU Retiree:

A bargaining unit employee, and/or surviving spouse, who on or after October 1, 2000:

- a) ceases to be employed in the bargaining unit;
- b) is age 50 or more when employment ceases;
- c) if ceasing to be employed on or after January 1, 2002, has a minimum of eight years of service with departments, boards, commissions, and other agencies covered by Article 2 of the Collective Agreement;
- d) is in receipt of, or eligible to receive a pension or deferred pension from the Saskatchewan Pension Annuity Fund or the Public Service Superannuation Fund;
- e) was enrolled and participating in the Extended Health Plan for employees at the time of termination/retirement; and
- f) was not terminated for cause.

**Definition of CUPE 600 Retiree:**

A bargaining unit employee, and/or surviving spouse, who on or after October 1, 2000:

- a) ceases to be employed in the bargaining unit;
- b) is age 50 or more when employment ceases;
- c) if ceasing to be employed on or after January 1, 2002, has a minimum of eight years of service with the Executive Government of Saskatchewan;
- d) is in receipt of, or eligible to receive a pension or deferred pension from the Saskatchewan Pension Annuity Fund or the Public Service Superannuation Fund;
- e) was enrolled and participating in the Extended Health Plan for employees at the time of termination/retirement; and
- f) was not terminated for cause.

# Management's Report

To the Members of the Legislative Assembly of Saskatchewan

As members of management of the Extended Health Care Plan for Retired 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 Retired 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 accounting standards.

A Joint Board of Trustees, comprised of an equal number of management and union representatives, 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 Retired Employees for the year ended December 31, 2017, and the Provincial Auditor's report on these financial statements.



Regina, Saskatchewan  
April 12, 2018

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

**Extended Health Care Plan for Retired Employees**

**Financial Statements**

**Year Ended December 31, 2017**

**INDEPENDENT AUDITOR'S REPORT**

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Extended Health Care Plan for Retired Employees, which comprise the statement of financial position as at December 31, 2017, the statement of operations and change in net assets and accumulated surplus, and the statement of cash flow 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 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.

*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 Extended Health Care Plan for Retired Employees as at December 31, 2017, and the results of its operations, its changes in net assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Judy Ferguson, FCPA, FCA  
Provincial Auditor

Regina, Saskatchewan  
April 12, 2018

**Extended Health Care Plan For Retired Employees  
Statement of Financial Position**

**Statement 1**

**As At December 31**

	<u>2017</u>	<u>2016</u>
<b>Financial Assets</b>		
Due from General Revenue Fund (Note 3)	\$ 13,940,482	\$ 13,138,443
Employer Contributions Receivable	101,214	104,017
Other Receivables	<u>34,914</u>	<u>17,072</u>
	<u>14,076,610</u>	<u>13,259,532</u>
<b>Liabilities</b>		
Accounts Payable and Accrued Liabilities (Note 5)	<u>3,055</u>	<u>52,967</u>
Net Assets and Accumulated Surplus (Statement 2)	<u>\$ 14,073,555</u>	<u>\$ 13,206,565</u>

(See accompanying notes to the financial statements)

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

**Statement 2**

For The Year Ended December 31

	<u>2017</u>		<u>2016</u>
	<u>Budget (Note 7)</u>	<u>Actual</u>	<u>Actual</u>
<b>Revenues</b>			
Employer Contributions (Note 1)	\$ 1,496,133	\$ 1,389,090	\$ 1,421,211
Interest Income (Note 3)	66,593	95,117	69,695
	<u>1,562,726</u>	<u>1,484,207</u>	<u>1,490,906</u>
<b>Expenses</b>			
Insurance Premium Subsidy (Note 1)	527,380	567,177	531,554
Provincial Sales Tax (Note 6)	-	13,330	-
Administration (Note 5)	60,788	36,710	42,248
	<u>588,168</u>	<u>617,217</u>	<u>573,802</u>
Operating Surplus	974,558	866,990	917,104
Net Assets and Accumulated Surplus, Beginning of Year	<u>13,206,565</u>	<u>13,206,565</u>	<u>12,289,461</u>
Net Assets and Accumulated Surplus, End of Year (Statement 1)	<u>\$ 14,181,123</u>	<u>\$ 14,073,555</u>	<u>\$ 13,206,565</u>

(See accompanying notes to the financial statements)

**Extended Health Care Plan for Retired Employees  
Statement of Cash Flow**

**Statement 3**

**For The Year Ended December 31**

	<u>2017</u>	<u>2016</u>
<b>Cash Flow from (Used In) Operating Activities:</b>		
Employer Contributions Received	\$ 1,391,893	\$ 1,420,967
Interest Income Received	77,275	68,242
Insurance Premium Subsidies Paid	(614,571)	(484,160)
Provincial Sales Tax	(13,330)	-
Administration Expenses Paid	(39,228)	(58,357)
	<u>802,039</u>	<u>946,692</u>
<b>Cash Flow from Operating Activities</b>	<b>802,039</b>	<b>946,692</b>
Net Increase in Due from General Revenue Fund	802,039	946,692
Due from General Revenue Fund, Beginning of Year	<u>13,138,443</u>	<u>12,191,751</u>
Due from General Revenue Fund, End of Year	<u>\$ 13,940,482</u>	<u>\$ 13,138,443</u>

(See accompanying notes to the financial statements)

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

**December 31, 2017**

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

The Extended Health Care Plan for Retired Employees (Plan) was established on January 15, 2002, pursuant to subsection 64(2) of *The Financial Administration Act, 1993*. The Plan provides extended health care benefits to eligible retired employees of the Government of Saskatchewan who were members of either, the Saskatchewan Government and General Employees' Union (PS/GE SGEU) or the Canadian Union of Public Employees', Local 600 (CUPE).

The Public Employees Benefits Agency (PEBA) manages the Plan under direction from the Joint Board of Trustees. The Joint Board of Trustees is made up of equal representation of union members and employers' representatives.

The Government, through the Minister of Finance has entered into an agreement with an insurance company to provide eligible retirees with extended health coverage. The retirees are responsible to pay the insurance company the premiums set out in the agreement less a premium subsidy which is paid by the Plan. Currently, only retired PS/GE SGEU members are eligible for the premium subsidy from the Plan. The Plan's risk is limited to the payment of a monthly premium subsidy for eligible retired PS/GE SGEU members. The monthly premium subsidy for the year was \$14.25 for a single policy, \$28.50 for a couple policy, and \$35.65 for a family policy.

The Plan is funded by employers, whose participation in the Plan has been approved by the Lieutenant Governor in Council. The contribution rate, set out in the PS/GE SGEU collective bargaining agreement with the Government, is 0.25 per cent of the regular pay of current PS/GE SGEU employees. Currently, the Plan receives no contributions for retired CUPE members and does not pay any premium subsidies for these retirees.

### **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**

Contribution billings are done at the end of each month. Contributions 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 the General Revenue Fund, 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.

**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 2017 was 0.70 per cent (2016 – 0.55 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>2017</u>	<u>2016</u>
Due from General Revenue Fund	\$13,940,482	\$13,138,443
Contributions Receivable	101,214	104,017
Other Receivables	34,914	17,072

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 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 2017.

## **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 or significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). Related party transactions with the Plan are in the normal course of operations and are recorded at the agreed upon exchange amounts charged by these organizations.

All contributions and contributions receivable are from related parties. Also, in 2017, PEBA charged the Plan \$36,710 (2016 – \$42,248) for administration expenses. Included in accounts payable and accrued liabilities is \$3,055 (2016 – \$5,573) due to PEBA.

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

## **6. Provincial Sales Tax**

Provincial Sales Tax of six per cent applies to all insurance premiums with an effective date on or after August 1, 2017. Subsequent to year end, the rules pertaining to the collection of PST have changed (see Note 8).

## **7. Budget**

PEBA prepares the budget for approval by the Joint Board of Trustees. The budget was approved on December 20, 2016.

## **8. Subsequent Event**

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 expects a refund of \$13,330 in Provincial Sales Tax expense.