

Extended Health Care Plan for Certain Other Retired Employees



Annual Report for 2018

Table of Contents

Letters of Transmittal	2
Introduction	3
Advisory Committee Members	3
Participating Employers	3
Administration	4
Funding	4
Benefits	4
Management's Report	5
Financial Statements	
Independent Auditor's Report	8
Statement of Financial Position	10
Statement of Operations and Change in Net Assets and Accumulated Surplus.....	11
Statement of Cash Flows.....	12
Notes to the Financial Statements.....	13

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 seventeenth Annual Report of the Extended Health Care Plan for Certain Other Retired 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 seventeenth Annual Report of the Extended Health Care Plan for Certain Other Retired 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 Retired Employees

Introduction

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

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

As at December 31, 2018, participation in the Plan has been approved by the Lieutenant Governor in Council for out-of-scope retired 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 Retired Employees:

With respect to individuals who are, or who immediately prior to the termination of their employment were, employees who do not participate in the Extended Health Care Plan for Retired Employees established pursuant to Schedule M, the following employers participate in The Extended Health care Plan for Certain Other Retired 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
Enterprise Saskatchewan
Farm Land Security Board
Financial and Consumer Affairs Authority of Saskatchewan
Global Transportation Hub Authority (The) Horned Cattle Fund
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 premium subsidy to The Great-West Life Assurance Company who provide insured extended health coverage to eligible retirees. The Plan's risk is limited to the payment of monthly premium subsidy as follows under the two-year contract effective January 1, 2018:

Single	\$14.70	per month
Couple	\$29.40	per month
Family	\$36.75	per month

Funding

For the period January 1, 2002, to December 31, 2002, the General Revenue Fund (GRF), on behalf of the Plan, paid premium subsidies to Group Medical Services. The amount paid from the GRF was recorded as due to GRF and was repayable with interest.

This amount was repaid in 2003. Effective July 1, 2003, funding for the Plan became employer paid at a rate of 0.25 per cent of straight time annual payroll.

Benefits

A retiree is eligible for benefits immediately following retirement. 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 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 Certain Other 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 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 Retired 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 Retired 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 Retired 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 Extended Health Care Plan for Certain Other Retired Employees 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 Retired 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 Retired 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 Retired 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 Extended Health Care Plan for Certain Other Retired Employees 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 Retired 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 Retired 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 Retired 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 Retired 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 Retired Employees
Statement of Financial Position**

Statement 1

As At December 31

	<u>2018</u>	<u>2017</u>
Financial Assets		
Due from General Revenue Fund (Note 3)	\$6,050,165	\$5,557,324
Employer Contributions Receivable	54,743	53,398
Other Receivables	<u>25,751</u>	<u>13,866</u>
	<u>6,130,659</u>	<u>5,624,588</u>
Liabilities		
Accounts Payable and Accrued Liabilities	<u>10,256</u>	<u>2,379</u>
Net Assets and Accumulated Surplus (Statement 2)	<u>\$6,120,403</u>	<u>\$5,622,209</u>

(See accompanying notes to the financial statements)

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

Statement 2

For The Year Ended December 31

	2018		2017
	Budget (Note 7)	Actual	Actual
Revenues			
Employer Contributions (Note 1)	\$ 635,023	\$ 650,764	\$ 636,413
Interest Income (Note 3)	58,245	81,877	37,567
	<u>693,268</u>	<u>732,641</u>	<u>673,980</u>
Expenses			
Insurance Premium Subsidy (Note 1)	184,338	204,151	179,887
Provincial Sales Tax (Note 6)	11,060	(4,135)	4,135
Administration	39,410	34,431	26,332
	<u>234,808</u>	<u>234,447</u>	<u>210,354</u>
Operating Surplus	458,460	498,194	463,626
Net Assets and Accumulated Surplus, Beginning of Year	<u>5,622,209</u>	<u>5,622,209</u>	<u>5,158,583</u>
Net Assets and Accumulated Surplus, End of Year (Statement 1)	<u>\$6,080,669</u>	<u>\$6,120,403</u>	<u>\$5,622,209</u>

(See accompanying notes to the financial statements)

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

Statement 3

For The Year Ended December 31

	<u>2018</u>	<u>2017</u>
Cash Flow from (Used In) Operating Activities:		
Employer Contributions Received	\$ 649,419	\$ 635,679
Interest Income Received	69,992	30,324
Insurance Premium Subsidies Paid	(204,151)	(194,477)
Provincial Sales Tax Paid	4,135	(4,135)
Administration Expenses Paid	(26,554)	(24,459)
Cash Flow from Operating Activities	<u>492,841</u>	<u>442,932</u>
Net Increase in Due from General Revenue Fund	492,841	442,932
Due from General Revenue Fund, Beginning of Year	<u>5,557,324</u>	<u>5,114,392</u>
Due from General Revenue Fund, End of Year	<u>\$6,050,165</u>	<u>\$5,557,324</u>

(See accompanying notes to the financial statements)

Extended Health Care Plan For Certain Other Retired Employees

Notes to the Financial Statements

December 31, 2018

1. Description of the Plan

The Extended Health Care Plan for Certain Other 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 out-of-scope retired employees of the Government of Saskatchewan.

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. The Plan's risk is limited to the payment of a monthly premium subsidy to the insurance company for eligible retirees. The monthly premium subsidy for the year was \$14.70 for a single policy, \$29.40 for a couple policy, and \$36.75 for a family policy.

The Plan is funded by employers, whose participation in the Plan has been approved by the Lieutenant Governor in Council. Funding for the Plan commenced July 1, 2003. The Minister of Finance approved a contribution rate of 0.25 per cent of the regular pay of current out-of-scope employees.

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

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, 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	\$6,050,165	\$5,557,324
Employer Contributions Receivable	54,743	53,398
Other Receivables	25,751	13,866

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 \$4,135 in 2018.

7. Budget

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