

Annual Report for April 1, 2023 to December 15, 2023

CAPITAL PENSION PLAN

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Letters of Transmittal

His Honour the Honourable Russ Mirasty, S.O.M., M.S.M.,
Lieutenant Governor of Saskatchewan

May it Please Your Honour:

I respectfully submit the Annual Report of the Capital Pension Plan for the
Period Ended December 15, 2023.



Dustin Duncan
Minister of Crown Investments

The Honourable Dustin Ducan
Minister of Crown Investments

Sir:

On behalf of the Capital Pension Plan Board, I have the honour of submitting
the Annual Report of the Capital Pension Plan for the Period Ended
December 15, 2023.



Chris Buchan
Chair

Capital Pension Plan

Introduction

The Capital Pension Plan is a registered pension plan under the *Income Tax Act* (Canada) and *The Pension Benefits Act, 1992* (Saskatchewan).

The Crown Investments Corporation of Saskatchewan (CIC) is the Plan Sponsor and Administrator of the Capital Pension Plan.

Prior to July 1, 2015, the Capital Pension Plan included a Contributory Fund and a Retirement Annuity Fund. On that date, the assets and members in the Contributory Fund were transferred to the Public Employees Pension Plan (PEPP).

The Retirement Annuity Fund continues within the Capital Pension Plan. The purpose of the Retirement Annuity Fund is to provide life annuities to those retired members of the Capital Pension Plan who elected the life annuity form of pension.

The Retirement Annuity Fund was closed to new entrants on July 1, 2015.

Capital Pension Board

CIC has appointed and delegated responsibility for certain of its duties as Plan Sponsor and Administrator to the Capital Pension Board (Pension Board).

At December 15, 2023, the Pension Board was composed of the members listed in *Table 1.1*.

Capital Pension Board Members	
Chris Buchan	Chair
Travis Massier	Member
Alan Fern	Member

Table 1.1

Administrative Services

Under agreement with CIC, the Public Employees Benefits Agency (PEBA) provides administrative services for the Capital Pension Plan. As per Order in Council #627-2023, the Province of Saskatchewan authorized PEBA to delegate the administration of the Plan to the Public Pension and Benefits Administration Corporation, operating as Plannera Pensions and Benefits (Plannera). Effective January 1, 2024, Plannera took over the completion of termination activities.

Termination of the Plan

The Capital Pension Plan's Retirement Annuity Fund (the Plan) was wound up effective October 1, 2022. The Financial and Consumer Affairs Authority of Saskatchewan (FCAA) approved the termination of the Plan and the distribution of the remaining surplus on February 27, 2023. On March 1, 2023, the Crown Investments Corporation of Saskatchewan (CIC or the Corporation), the Plan Sponsor, along with the Capital Pension Plan Board (CPP Board) selected Sun Life as the successful annuity carrier to buy-out the pension obligations of the Plan. Assets in the amount of \$19,029,200 were transferred to Sun Life on March 15, 2023. Effective August 2023, Sun Life began making monthly annuity payments directly to members of the Plan and the Plan was terminated on December 15, 2023, with all surplus funds being dispersed to the members, in accordance with the wind-up plan approved by the FCAA.

Management's Report

To the Members of the Legislative Assembly of Saskatchewan

The Capital Pension Plan Board is composed of three members appointed by the Plan Sponsor, Crown Investments Corporation of Saskatchewan. The Plan Sponsor has delegated administration and operation of the Plan to the Pension Board in accordance with applicable laws.

The financial statements, which follow, have been prepared by management in conformity with Canadian accounting standards for pension plans and have been approved by the Board. Management uses internal controls and exercised its best judgement in order that the financial statements fairly reflect the financial position of the Plan.

The financial statements were audited by KPMG LLP whose report follows.

Regina, Saskatchewan
March 25, 2024



Jeremy Phillips
President and Chief Executive Officer
Plannera Pensions and Benefits

Actuarial Opinion

With respect to the *Retirement Plan for Employees of Retirement Annuity Fund*, we have prepared an extrapolation to December 15, 2023 for the purpose of determining the necessary actuarial information for financial statement reporting in accordance with Section 4600 of the Chartered Professional Accountants of Canada Accounting Handbook (Section 4600). In my opinion, for the purpose of this extrapolation:

- the data on which this extrapolation is based are sufficient and reliable;
- where applicable, the assumptions have been adopted as management's best estimates for accounting purposes;
- the actuarial cost methods and asset valuation methods employed are appropriate; and
- the extrapolation conforms with the requirements of Section 4600.

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



David R. Larsen
Fellow, Society of Actuaries
Fellow, Canadian Institute of Actuaries

January 5, 2024

Capital Pension Plan

Financial Statements

And Independent Auditors Report thereon

Period Ended December 15, 2023



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INDEPENDENT AUDITOR'S REPORT

To the Members of the Legislative Assembly, Province of Saskatchewan

Opinion

We have audited the financial statements of the Capital Pension Plan (the Plan), which comprise:

- the statement of financial position as at December 15, 2023
- the statement of changes in net assets available for benefits for the period then ended
- the statement of changes in provision for annuity obligations for the period then ended
- and notes to the financial statements, including a summary of material accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Plan as at December 15, 2023, and its changes in net assets available for benefits and its changes in provision for annuity obligations for the period then ended in accordance with Canadian accounting standards for pension plans.

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 auditor's report.

We are independent of the Plan 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.

Emphasis of Matter – Basis of Preparation

We draw attention to Note 1(a) to the financial statements which describes that the financial statements are not prepared on a going concern basis of accounting.

Our opinion is not modified in respect of this matter.



Other Information

Management is responsible for the other information. Other information comprises:

- the 2023 Annual Report for April 1, 2023 to December 15, 2023 (hereinafter referred to as the “Annual Report”)

Our opinion on the financial statements does not cover the other information and we do not and will 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statement or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditor’s report thereon, included in the Annual Report document as at the date of this auditor’s report. 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 the 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 accounting standards for pension plans, 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 Plan’s 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 Plan’s 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 the 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 Plan's 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 Plan's 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.
- 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.
- 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 that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants

Regina, Canada

March 25, 2024

**Capital Pension Plan
Statement of Financial Position**


Statement 1

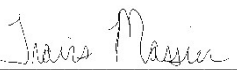
(in thousands)

	<u>December 15, 2023</u>	<u>March 31, 2023</u>
Assets		
Investments	\$ -	\$ -
Investments Under Securities		
Lending Program	-	-
	-	-
Receivables		
Accrued Investment Income	-	23
Other Receivables	-	-
	-	23
Due from General Revenue Fund (Note 5)	-	3,350
Cash	-	-
Total Assets	-	3,373
Liabilities		
Administrative Expenses Payable	-	66
Total Liabilities	-	66
Net Assets Available for Benefits	-	3,307
Provision for Annuity Obligations (Note 6)	-	3,307
Surplus	\$ -	\$ -

(See accompanying notes to the financial statements)

On behalf of the Board

 Chairman

 Board Member

Capital Pension Plan
Statement of Changes in Net Assets Available for Benefits

Statement 2

(in thousands)

	<u>Period Ended December 15, 2023</u>	<u>Year Ended March 31, 2023</u>
Increase in Assets		
Investment Income (Note 4)	\$ -	\$ 923
Interest Income – Bank	79	-
Premium Adjustment	716	-
Total Increase in Assets	<u>795</u>	<u>923</u>
Decrease in Assets		
Annuities	762	2,185
Administration Expenses (Note 7)	156	301
Decrease in Fair Value of Investments	-	1,990
Purchase of Buy-in Annuity Agreement (Note 1b)	-	19,029
Member Surplus Paid	3,184	-
Total Decrease in Assets	<u>4,102</u>	<u>23,505</u>
Decrease in Net Assets	(3,307)	(22,582)
Net Assets Available for Benefits, Beginning of Year	<u>3,307</u>	<u>25,889</u>
Net Assets Available for Benefits, End of Year	<u>\$ -</u>	<u>\$ 3,307</u>

(See accompanying notes to the financial statements)

Capital Pension Plan
Statement of Changes in Provision for Annuity Obligations

Statement 3

(in thousands)

	<u>Period Ended December 15, 2023</u>	<u>Year Ended March 31, 2023</u>
Provision for Annuity Obligations, Beginning of Year	\$ 3,307	\$ 21,428
Increase in Provision for Annuity Obligations:		
Interest on Provision	-	843
Ad Hoc Indexing	-	2,146
Surplus Allocated to Members	-	3,477
Experience on Surplus Allocated to Members	-	17
Expected Interest Accrued on Surplus Allocation	99	-
Single Premium Annuity Purchase Adjustment	716	-
Total Increase	<u>815</u>	<u>6,483</u>
Decrease in Provision for Annuity Obligations:		
Annuity Payments with Interest	773	2,206
Mortality Experience	-	486
Change in Discount Rate	-	992
Change in Reserve for Fund Expenses	-	659
Annuity Purchased	-	19,029
Settlement Gain	-	1,232
Administration Expenses Paid	159	-
Investment Earning on Surplus different than expected	6	-
Member Surplus Paid	3,184	-
Total Decrease	<u>4,122</u>	<u>24,604</u>
Provision for Annuity Obligations, End of Year (Note 6)	<u>\$ -</u>	<u>\$ 3,307</u>

(See accompanying notes to the financial statements)

Capital Pension Plan Notes to the Financial Statements

December 15, 2023

1. Description of Plan

The following description of Capital Pension Plan (the Plan) is a summary only. For more complete information, reference should be made to the Plan Text.

- a) The Plan was established pursuant to *The Crown Corporations Act, 1978*, and is continued under *The Crown Corporations Act, 1993*. It is a Registered Pension Plan legislated under *The Pension Benefits Act, 1992*, and is not subject to income taxes under the *Income Tax Act (Canada)*. The Plan was available to corporations both in the public and private sector (participants) upon approval of the Plan's Board of Directors. The Plan was established to provide members with the option of purchasing a life annuity upon retirement. The Plan was closed to new entrants on July 1, 2015.

The Capital Pension Plan Pension Board administers the Plan. Day-to-day administration is provided by the Public Employees Benefits Agency (PEBA). As of October 1, 2022, the Plan was wound up and effective December 15, 2023, the Plan was terminated; as a result, these financial statements are not prepared on a going concern basis. As per Order in Council #627-2023, the Province of Saskatchewan authorized PEBA to delegate the administration of the Plan to the Public Pension and Benefits Administration Corporation, operating as Plannera Pensions and Benefits' (Plannera). Effective January 1, 2024, Plannera took over the completion of termination activities.

- b) The Capital Pension Plan's Retirement Annuity Fund (the Plan) was wound up effective October 1, 2022. The Financial and Consumer Affairs Authority of Saskatchewan (FCAA) approved the termination of the Plan and the distribution of the remaining surplus on February 27, 2023. On March 1, 2023, the Crown Investments Corporation of Saskatchewan (CIC or the Corporation), the Plan Sponsor, along with the Capital Pension Plan Board (CPP Board) selected Sun Life as the successful annuity carrier to buy-out the pension obligations of the Plan. The Buy-in annuity contract was converted to a Buy-out annuity contract with Sun Life on March 1, 2023. Assets in the amount of \$19,029,200 were transferred to Sun Life on March 15, 2023. Effective August 2023, Sun Life began making monthly annuity payments directly to members of the Plan. The Plan was terminated on December 15, 2023, with all surplus funds being dispersed to members of the Plan in accordance with the wind-up plan approved by FCAA.
- c) CIC is the sponsor for the Plan, and as such, is ultimately responsible for any shortfalls that may occur.

2. Basis of Preparation

a) Statement of Compliance

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, IFRS Accounting Standards (IFRS) guidance has been implemented.

The financial statements were authorized and issued on March 25, 2024.

2. Basis of Preparation (continued)

b) Basis of Measurement

These financial statements have been prepared using the historical cost basis except for the provision for annuity obligations, which is measured at the present value.

Prior to the transfer of assets, investments were measured at fair value. The fair values of investments were considered to be market value with all gains and losses being recognized through change in fair value.

c) Functional and Presentation Currency

These financial statements are presented in Canadian dollars, which is the Plan's functional currency, and are rounded to the nearest thousand unless otherwise noted.

3. Material Accounting Policies

The accounting policies considered significant are as follows:

a) Basis of Accounting

These financial statements are prepared on the historical cost basis and present the aggregate financial position of the Plan as a separate financial reporting entity independent of the sponsor and plan members. They are prepared to assist Plan members and others in reviewing the activities of the Plan for the fiscal period but they do not portray the funding requirements of the Plan or the benefit security of individual Plan members.

b) Investments

Prior to the transfer of assets, investments were stated at fair value. The change in the fair value of investments at the beginning and end of each year is reflected in the Statement of Changes in Net Assets Available for Benefits as the change in fair value of investments.

c) Investment Income and Investment Transactions

Investment income was recorded on an accrual basis. Investment transactions were recorded on the trade date.

d) Provision for Annuity Obligations

The provision for annuity obligations represents the present value of the annuities underwritten and is determined pursuant to an annual actuarial valuation. Any resulting change in the provision for annuity obligations pursuant to the valuation is recognized as an increase or decrease in that year's Statement of Changes in Provision for Annuity Obligations.

e) Other Financial Instruments

Receivables, due from General Revenue Fund, cash and administrative expenses payable were classified and measured at amortized cost. Due to their short-term nature, the amortized cost of these instruments approximates their fair value.

3. Material Accounting Policies (continued)

f) Use of Estimates

The preparation of financial statements in accordance with Canadian Accounting Standards for Pension Plans requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and changes in estimates are recorded in the accounting period in which they are determined.

4. Investments

No investments were held by the Plan as of December 15, 2023, and March 31, 2023.

Investment income is comprised of the following:

	Period Ended	Year Ended
	December 15, 2023	March 31, 2023
Bond and Debenture Interest	\$ -	\$ 921
Security Lending	-	2
	<u>\$ -</u>	<u>\$ 923</u>

5. Due from General Revenue Fund

The Plan's bank account was included in the Consolidated Offset Bank Concentration (COBC) arrangement for the Government of Saskatchewan.

Effective April 1, 2023, the Plan's bank account was transitioned into an interest-bearing account as it was no longer classified as a transfer account. The Plan's bank account earned interest until October 31, 2023, as this was the effective date to determine the final interest earnings included in the surplus amount. Earned interest was calculated and paid by the General Revenue Fund on a quarterly basis using the Government's thirty-day borrowing rate and the Plan's average daily bank account balance. The Government's thirty-day borrowing rate for April to October 2023 was 4.79 per cent.

6. Provision for Annuity Obligations

The actuarial value of the obligations of the fund as of December 15, 2023, is equal to nil as all distributions have been made from the fund to members and for payment of expenses. Therefore, the value has been set equal to nil, as there are no assets remaining in the fund at December 15, 2023.

The final actuarial value of the obligations reconciliation was based on the following:

- Expected interest accrued on surplus allocation is the expected interest accrued on the fund (surplus allocation) for the 248-day period between March 31, 2023, and December 4, 2023 (the date of distribution of surplus to plan members) at the 4.40% per annum discount rate used in the plan termination valuation.

6. Provision for Annuity Obligations (continued)

- Single premium annuity purchase adjustment represents the actual amount returned to the fund due to mortality experience after the annuity purchase date and the date Sun Life commenced paying benefits to the members.
- Member surplus paid represents the actual remaining surplus that was allocated and paid to plan members.
- Monthly annuity benefit payments made to retired members during the period is the total of the actual monthly annuity benefit payments to retired members from the fund with interest between March 31, 2023, and the month prior to the date that Sun Life commenced paying benefits to the members.
- Expenses paid from the fund during the period reflects actual administration expenses with interest from March 31, 2023, to December 15, 2023, paid from the fund.
- Investment earnings different than expected represents actual interest and investment income earned on the fund (surplus allocation) as compared to the expected interest on the fund at the 4.40% per annum discount rate used in the plan termination valuation.

The actuarial value of the fund's obligations as of December 15, 2023, is equal to the market value of the assets at that same date. Since all of the funds have been distributed from the fund and the fund value is nil as of December 15, 2023, the value of the fund's obligations does not depend on actuarial assumptions and as such there is no sensitivity analysis on actuarial assumptions that is applicable as of December 15, 2023.

7. Administration Expenses

The annual operating expenditures associated with the Plan's administration are paid to the Public Employees Benefits Agency Revolving Fund except for custodial fees and investment management fees, which are paid directly to the custodian and investment manager.

(in thousands)

	<u>Period Ended</u> <u>December 15, 2023</u>	<u>Year Ended</u> <u>March 31, 2023</u>
Investment Management Fees	\$ -	\$ 23
Custodial Fees	-	8
Audit Fees	16	16
Actuarial Fees	59	159
Other Administration Costs	81	95
	<u>\$ 156</u>	<u>\$ 301</u>

8. Financial Risk Management

As of December 15, 2023, and March 31, 2023, the Plan did not hold any investments.

Prior to the transfer of assets to Sun Life, the investment objectives of the Plan were to structure the investment portfolio so that the net assets dedicated for annuity payments were immune to changes in the level of interest rates, to ensure sufficient assets exist to meet future annuity obligations and to generate sufficient cash flow to meet annuity payments.

8. Financial Risk Management (continued)

As of December 15, 2023, the Plan did not have any associated financial risk. The associated risks as at March 31, 2023, included credit risk and liquidity risk.

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 two distinct sources: receivables and investments. The maximum credit risk to which it is exposed at March 31, 2023, is limited to the carrying value of the financial assets summarized as follows:

	(in thousands)	
	December 15, 2023	March 31, 2023
Receivables	\$ -	\$ 23
Due from General Revenue Fund	-	3,350

Credit risk related to cash is limited because the counterparties are chartered banks with high credit ratings assigned by national credit rating agencies.

Receivables are primarily made up of accrued investment income. Accrued investment income is received on the next scheduled payment date, generally either annually or semi-annually.

Liquidity risk

Liquidity risk is the risk that the Plan is unable to meet its contractual financial liabilities as they fall due. The Plan's contractual financial liabilities fall under two categories: administrative expenses payable and the provision for annuity obligations.

9. 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 and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). Costs charged by the Public Employees Benefits Agency Revolving Fund in administering the Plan are reflected in these financial statements.

As of December 15, 2023, and March 31, 2023, the Plan did not hold Province of Saskatchewan Bonds. As of March 31, 2023, investment gains on the bonds held prior to disposal, including the change in the market value of investments, was \$0.01 million.

There was no payable balance as of December 15, 2023, as all payables were paid prior to termination of the Plan. As of March 31, 2023, \$0.06 million was due to the Public Employees Benefits Agency Revolving Fund.

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

10. Investment Performance

On March 15, 2023, all investment assets were transferred to Sun Life.

Prior to the investments being transferred, the investments were managed by professional investment managers whose investment performance is measured against objectives established by the Capital Pension Plan Board of Directors as outlined in the Statement of Investment Policies and Goals.

The investment objective was to provide sufficient liquidity to ensure payment to annuitants when due and to ensure long-term solvency of the Plan. The Plan pursued a duration matching investment strategy that immunizes the portfolio from interest rate fluctuations. As a result, there is no benchmark return for the Plan.