

Public Employees Deferred Salary Leave Fund



Annual Report for 2021

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Letters of Transmittal



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

May it Please Your Honour:

I have the honour to transmit herewith the twenty-sixth Annual Report of the
Public Employees Deferred Salary Leave Fund for the year ending
December 31, 2021.

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 Public Employees Deferred Salary Leave Plan Committee,
I have the honour to transmit herewith the twenty-sixth Annual Report of the
Public Employees Deferred Salary Leave Fund for the year ending
December 31, 2021.

A handwritten signature in cursive script that reads "J. Phillips".

Jeremy Phillips
Chair

Public Employees Deferred Salary Leave Fund

Introduction

The Public Employees Deferred Salary Leave Fund was established on April 4, 1989.

The Fund is used to account for the transactions of the Deferred Salary Leave Plan, which allows employees to defer a portion of their salary for a period of twelve to seventy-two months. The deferred salary must then be used in financing a leave of absence for durations of six to twelve months, subject to the approval of the employer and the terms and conditions of the Plan.

The Fund is a prescribed plan pursuant to regulation 6801 of the *Income Tax Act* (Canada).

Plan Committee Members

Jeremy Phillips (Chair)
Ministry of Finance (PEBA)

Peggy Atkinson
Public Service Commission

Participating Employers

The following employers participate in The Government of Saskatchewan Deferred Salary Leave Plan:

eHealth Saskatchewan
Financial and Consumer Affairs Authority of Saskatchewan
Global Transportation Hub Authority (The)
Information Services Corporation
Innovation Saskatchewan
Legislative Assembly Service
Liquor and Gaming Authority
Livestock Services of Saskatchewan Corporation
with regards to employees who are out of the scope of a collective bargaining agreement
Provincial Archives of Saskatchewan
Saskatchewan Human Rights Commission
Saskatchewan Legal Aid Commission
Saskatchewan Power Corporation
Saskatchewan Public Safety Agency
Saskatchewan Telecommunications Holding Corporation

Saskatchewan Water Corporation
Water Security Agency of Saskatchewan

The Government of Saskatchewan with respect to the following individuals:

Assistant Chief Electoral Officer
Judges of the Provincial Court
Members of the Public Service of Saskatchewan as defined by *The Public Service Act, 1998*

Administration

The Plan is managed by the Public Employees Benefits Agency, Ministry of Finance.

Canadian Western Trust Company is on contract to provide trustee and investment management services.

The Recordkeeper Ltd. is on contract to provide employee statements and recordkeeping services.

Funding

Funding for the Fund is totally employee paid through salary deferrals. The portion of salary deferred is held in trust by the Fund. Accounts are maintained for each participating employee with interest and administrative fees allocated accordingly.

Participation Experience

	<u>2021</u>	<u>2020</u>
Number of employees participating at December 31	45	53
Deferrals completed during Year	13	14
Withdrawals during Year	7	3

Management's Report

To the Members of the Legislative Assembly of Saskatchewan

As members of management of the Public Employees Deferred Salary Leave Fund, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian public sector accounting standards applicable for governments.

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

The Public Employees Deferred Salary Leave Fund 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 applicable for governments.

Enclosed are the financial statements of the Public Employees Deferred Salary Leave Fund for the year ended December 31, 2021 and the Provincial Auditor's report on these financial statements.

Regina, Saskatchewan
April 5, 2022



Jeremy Phillips
Acting Assistant Deputy Minister
Public Employees Benefits Agency
Ministry of Finance

Public Employees Deferred Salary Leave Fund

**Financial Statements
Year Ended December 31, 2021**

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

Opinion

We have audited the financial statements of the Public Employees Deferred Salary Leave Fund, which comprise the statement of financial position as at December 31, 2021, and the statements of operations and net financial assets, and cash flow 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 Public Employees Deferred Salary Leave Fund as at December 31, 2021, and results of its operations, changes in its net financial assets, and its cash flows 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 Public Employees Deferred Salary Leave Fund 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 Public Employees Deferred Salary Leave Fund Annual Report for 2021, 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 Public Employees Deferred Salary Leave Fund'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 Public Employees Deferred Salary Leave Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Public Employees Deferred Salary Leave Fund'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 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 Public Employees Deferred Salary Leave Fund'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 Public Employees Deferred Salary Leave Fund'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. However, future events or conditions may cause the Public Employees Deferred Salary Leave Fund 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 5, 2022

Tara Clemett, CPA, CA, CISA
Provincial Auditor
Office of the Provincial Auditor

Public Employees Deferred Salary Leave Fund

Statement 1

Statement of Financial Position

As At December 31

	<u>2021</u>	<u>2020</u>
Financial Assets		
Investments (Note 3)	<u>\$ 1,542,679</u>	<u>\$ 2,147,070</u>
Total Assets	<u>1,542,679</u>	<u>2,147,070</u>
Liabilities		
Accounts Payable and Accrued Liabilities	<u>1,576</u>	<u>1,576</u>
Total Liabilities	<u>1,576</u>	<u>1,576</u>
Net Financial Assets and Accumulated Surplus (Statement 2)	<u><u>\$ 1,541,103</u></u>	<u><u>\$ 2,145,494</u></u>

(See accompanying notes to the financial statements)

Public Employees Deferred Salary Leave Fund

Statement 2

Statement of Operations and Net Financial Assets

Year Ended December 31

	2021		2020
	Budget (Note 5)	Actual	Actual
Revenues			
Contributions	\$ 705,412	\$ 832,238	\$ 992,289
Interest Revenue (Note 3)	32,442	26,107	31,772
	737,854	858,345	1,024,061
Expenses			
Redemptions	1,586,111	1,436,386	396,461
Interest (Note 3)	28,968	20,048	25,789
Service Fees	4,411	6,302	6,301
	1,619,490	1,462,736	428,551
(Deficit) Surplus for the Year	(881,636)	(604,391)	595,510
Net Financial Assets, Beginning of Year	2,145,494	2,145,494	1,549,984
Net Financial Assets, End of Year (Statement 1)	\$ 1,263,858	\$ 1,541,103	\$ 2,145,494

(See accompanying notes to the financial statements)

Public Employees Deferred Salary Leave Fund**Statement 3****Statement of Cash Flow**

Year Ended December 31

	<u>2021</u>	<u>2020</u>
Operating Activities		
Contributions Received	\$ 832,238	\$ 992,289
Interest Received on Investments	26,107	31,772
Redemptions Paid to Participants	(1,436,386)	(396,461)
Interest Paid on Redemptions	(20,048)	(25,789)
Service Fees Paid	(6,302)	(5,829)
Net Cash Flows (Used In) Provided by Operating Activities	<u>(604,391)</u>	<u>595,982</u>
Investing Activities		
Investment Proceeds (Purchases)	<u>604,391</u>	<u>(595,982)</u>
Net Cash Flows Provided by (Used In) Investing Activities	604,391	(595,982)
Net Increase/Decrease In Cash	-	-
Cash At Beginning of Year	-	-
Cash At End of Year	<u>\$ -</u>	<u>\$ -</u>

(See accompanying notes to the financial statements)

Public Employees Deferred Salary Leave Fund

Notes to the Financial Statements

December 31, 2021

1. Description of Fund

The Public Employees Deferred Salary Leave Plan (Plan) was established on April 4, 1989 and continues under subsection 64(2) of *The Financial Administration Act, 1993* (Act). The Public Employees Deferred Salary Leave Fund (Fund) is used to account for the transactions of the Plan. Net assets of the Fund represent the accumulated amounts payable to the participants when they take a leave of absence or otherwise withdraw from the Fund. The Plan is managed by the Public Employees Benefits Agency (PEBA).

The Plan allows participating employees to defer a portion of their salary for a period of twelve to seventy-two months. The deferred salary must then be used in financing a leave of absence for any reason for durations of six to twelve months, subject to the approval of the employer and the terms and conditions of the Plan. The portion of the participant's salary deferred during the year is recorded as Contributions, and the deferred salary used during the year is recorded as Redemptions.

Plan participants are employees of the Public Service of Saskatchewan, as defined by *The Public Service Act, 1998*, and certain Saskatchewan Crown agencies, whose participation in the Plan has been approved by the Lieutenant Governor in Council.

The Plan is a prescribed plan under the *Income Tax Act* (Canada).

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 Remeasurement Gains and Losses as the Plan has no remeasurement gains or losses. These statements also do not present a Statement of Changes in Net Financial Assets as the Plan does not hold any non-financial assets. The following policies are considered significant:

a) Revenue Recognition

Interest is recognized as revenue when earned. Contributions are recognized as revenue when received.

b) Financial Instruments

The Plan's financial instruments consist of investments, accounts payable and accrued liabilities. Accounts payable and accrued liabilities are measured at cost. Investments are measured at fair value. The fair value of investments is based on cost plus accumulated investment income.

3. Investments

The deferred salary is held in Guaranteed Investment Certificate (GIC) deposit accounts maintained for each participating employee. Interest revenue is allocated to individual member accounts based on the weighted average of the interest rates the bank pays for GIC deposits which is 1.48 per cent for 2021 (1.85 per cent in 2020). Each plan participant is also charged a service fee. On December 31, interest for the year is paid to each participating employee.

The Plan has classified its required fair valued financial instrument holdings using a hierarchy that reflects the significance of the inputs used in determining their measurements.

Under the classification structure, financial instruments recorded at unadjusted quoted prices in active markets for identical assets and liabilities are classified as Level 1. Instruments valued using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, are classified as Level 2. Instruments valued using inputs that are not based on observable market data are classified as Level 3.

The Plan presently holds only financial instruments that are classified as Level 2.

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 risks that arise are credit risk, market risk (consisting of interest rate risk) and liquidity risk.

Credit Risk

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

	<u>2021</u>	<u>2020</u>
Investments	\$ 1,542,679	\$ 2,147,070

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

The credit risk for investments is managed through a policy that limits the types of investments that can be held by the Fund. Investments consist of guaranteed investment certificates issued by a Canadian trust company.

Market Risk

Market risk represents the potential for loss from changes in the value of financial instruments. Values can be affected by changes in interest rates. The Fund is exposed to changes in interest rates on its investments. This risk is managed by investing in financial assets of a short-term duration.

Liquidity Risk

Liquidity risk is the risk that the Fund is unable to meet its financial obligations as they fall due. The Plan manages this risk by investing in financial assets with a very short term to maturity.

5. Budget

The Deferred Salary Leave Plan Committee approved the annual operating budget for the Deferred Salary Leave Fund on March 4, 2021.

6. Costs Borne by Other Agencies

The Plan is related to various Saskatchewan Crown corporations, ministries, agencies, boards and commissions 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").

The Plan has not been charged with certain administrative costs. These costs are borne by the Government of Saskatchewan. No provision for these costs is reflected in these financial statements. The Plan has no other related party transactions.