

# SaskEnergy Retiring Allowance Plan



## Annual Report for 2022

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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 have the honour to transmit herewith the Annual Report of the  
SaskEnergy Retiring Allowance Plan for the year ending December 31, 2022.

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 Benefits Agency, I have the honour to  
transmit herewith the Annual Report of the SaskEnergy Retiring Allowance  
Plan for the year ending December 31, 2022.

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

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

## **SaskEnergy Retiring Allowance Plan**

### **Introduction**

The SaskEnergy Retiring Allowance Plan is a benefit plan that was carried forward from SaskPower when SaskEnergy was created on June 1, 1988.

The purpose of the SaskEnergy Retiring Allowance Plan is to provide retirement benefits to SaskEnergy and its subsidiary corporations' employees (the participants).

SaskEnergy has not established a trust nor does it hold property for the specific purpose of providing benefits to the participants. Benefits are funded out of current operations of SaskEnergy.

SaskEnergy was the administrator of the Plan from June 1, 1988, to January 13, 2004.

On January 13, 2004, an Order in Council designated the Public Employees Benefits Agency (PEBA) as the administrator of the Plan.

Effective July 14, 2005, the Retiring Allowance was converted to an annual contribution registered savings plan for employees who are members of the Unifor, Local 649 (in-scope employees). For in-scope employees, the years of service is the time earned up to and including December 31, 2004.

Effective January 1, 2008, the Retiring Allowance Bank days are reduced by up to 2.5 days annually for contributions to the registered savings plan for in-scope employees. In addition, the Retiring Allowance Bank days are reduced by up to 10 days annually for conversion into credits to the In-scope Flexible Spending Account for those in-scope employees with 30 years of company service.

Effective June 13, 2006, the Retiring Allowance was converted to an annual contribution registered savings plan for management employees, other than designated executive employees. For management employees, the years of service is the time earned up to and including December 31, 2005.

For designated executive members, benefits under the plan continue to accrue within the plan, with benefits for service time earned prior to December 31, 2005, payable at retirement, and benefits for service time earned subsequent to December 31, 2005, payable upon termination.

### **Eligibility**

SaskEnergy currently provides a Retiring Allowance to eligible employees upon retirement from SaskEnergy. To be eligible for the Retiring Allowance an employee must be eligible to retire from the Power Corporation Superannuation Plan or the Public Employees Pension Plan.

For designated executive members, benefits which have accrued prior to December 31, 2005, are eligible to be paid out upon termination of employment with SaskEnergy if they reach their benefit eligibility date prior to termination. The benefit eligibility date is the date when an executive becomes eligible to retire.

If an active executive dies prior to retirement, the retiring allowance is paid to the employee's estate as a death benefit. With respect to benefits which accrue subsequent to December 31, 2005, executive employees, who terminate employment with SaskEnergy prior to retirement, are eligible to receive payment for service time earned after December 31, 2005.

As of December 31, 2022, there were 177 (2021 - 237) eligible employees and 22 (2021 - 21) terminated employees who received benefits from the Plan during the year.

## Benefits

Employees meeting the eligibility criteria receive a lump sum payment equal to:

- a) Four days pay at their retirement salary rate multiplied by the first 35 years of service if 35 years of service was reached prior to January 31, 2000; or
- b) Five days pay at their retirement salary rate multiplied by years of service to a maximum of 35 years, if 35 years was not reached prior to January 31, 2000; and
- c) Two days pay multiplied by years of service for greater than 35 years (as defined in the Plan document).

For in-scope employees, the years of service is the time earned up to and including December 31, 2004, less service time converted to other employee benefits. For management employees, the years of service is the time earned up to and including December 31, 2005.

Designated executive employees, with service time subsequent to December 31, 2005, who terminate employment prior to retirement, are also eligible to receive five days' pay at their termination rate for years of service earned after December 31, 2005.

# Management's Report

To the Members of the Legislative Assembly of Saskatchewan

As administrators of the SaskEnergy Retiring Allowance Plan, 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.

We believe the SaskEnergy Retiring Allowance Plan 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.

The accrued benefits obligation is determined by an actuarial valuation. Actuarial valuation reports require management's best estimate assumptions about future events.

Enclosed are the financial statements of the SaskEnergy Retiring Allowance Plan for the year ended December 31, 2022, and the Provincial Auditor's report on these financial statements.

Regina, Saskatchewan  
March 24, 2023



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

# Actuarial Opinion

With respect to the SaskEnergy Retirement Allowance Program, we have prepared an actuarial valuation as at December 31, 2022, for the purpose of determining the necessary actuarial information for financial statement reporting in accordance with Section 3255 of the CPA Canada Handbook. In our opinion, for the purpose of this actuarial valuation:

- The data on which this valuation is based are sufficient and reliable;
- Where applicable, the assumptions have been adopted as management's best estimates for accounting purposes and are appropriate;
- The actuarial cost method employed is appropriate; and
- The valuation conforms to the requirements of Section 3255 of the CPA Canada Handbook.

Nonetheless, emerging experience differing from the assumptions will result in gains or losses that will be revealed in subsequent valuations.

This report has been prepared and these actuarial opinions have been given in accordance with accepted actuarial practice in Canada.



Ryan Welsh, FSA, FCIA  
Partner



Keith Shaw, FSA, FCIA  
Senior Consultant

February 2, 2023

**SaskEnergy Retiring Allowance Plan**

**Financial Statements  
Year Ended December 31, 2022**

## INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

### Opinion

We have audited the financial statements of the SaskEnergy Retiring Allowance Plan, which comprise the statement of financial position as at December 31, 2022, and the statement of operations and change in net financial assets 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 SaskEnergy Retiring Allowance Plan as at December 31, 2022, and the results of its operations and change in its net financial assets 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 SaskEnergy Retiring Allowance 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.

### Other Information

Management is responsible for the other information. The other information comprises the information included in SaskEnergy Retiring Allowance Plan Annual Report for 2022, 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 SaskEnergy Retiring Allowance 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 SaskEnergy Retiring Allowance Plan or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the SaskEnergy Retiring Allowance 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 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 SaskEnergy Retiring Allowance 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 SaskEnergy Retiring Allowance 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. However, future events or conditions may cause the SaskEnergy Retiring Allowance Plan 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  
March 24, 2023



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

**SaskEnergy Retiring Allowance Plan  
Statement of Financial Position**

**Statement 1**

**As at December 31**

	(in thousands)	
	<u>2022</u>	<u>2021</u>
<b>Financial Assets</b>		
Contribution Receivable	<u>\$ 2,972</u>	<u>\$ 3,697</u>
<b>Liabilities</b>		
Benefit Liability (Note 3)	<u>2,972</u>	<u>3,697</u>
<b>Net Financial Assets</b> (Statement 2)	<u>-</u>	<u>-</u>
Accumulated Surplus (Statement 2)	<u>\$ -</u>	<u>\$ -</u>

(See accompanying notes to the financial statements)

**SaskEnergy Retiring Allowance Plan**  
**Statement of Operations and Change in Net Financial Assets**

**Statement 2**

**Years Ended December 31**

	(in thousands)	
	<u>2022</u>	<u>2021</u>
<b>Revenues</b>		
Contribution	\$ 79	\$ 111
	<u>79</u>	<u>111</u>
<b>Expenses</b>		
Benefits expense (Note 3)	20	15
Interest (Note 3)	64	46
Amortization of actuarial (gain) loss	(5)	50
	<u>79</u>	<u>111</u>
Operating Surplus	-	-
Net Financial Assets and Accumulated Surplus, Beginning of the Year	<u>-</u>	<u>-</u>
<b>Net Financial Assets and Accumulated Surplus, End of the Year (Statement 1)</b>	<u>\$ -</u>	<u>\$ -</u>

(See accompanying notes to the financial statements)

**SaskEnergy Retiring Allowance Plan**  
**Notes to the Financial Statements**

**December 31, 2022**

**1. Description of the Plan**

The SaskEnergy Retiring Allowance Plan is a benefit plan that was carried forward from the Saskatchewan Power Corporation when SaskEnergy Incorporated (SaskEnergy) was created on June 1, 1988. The purpose of the SaskEnergy Retiring Allowance Plan is to provide retirement benefits to SaskEnergy and its subsidiary corporations' employees (the Participants).

SaskEnergy has not established a trust nor does it hold property for the specific purpose of providing benefits to the participants. Benefits are funded out of current operations of SaskEnergy.

For employees who are members of Unifor (in-scope employees), the years of service is the time earned up to and including December 31, 2004. Effective July 14, 2005 the retiring allowance was converted, for service time earned subsequent to December 31, 2004, to an annual contribution to a registered savings plan for those employees. Effective January 1, 2008, the Retiring Allowance Bank days are reduced by up to 2.5 days annually for contributions to a registered savings plan for in-scope employees. In addition, the Retiring Allowance Bank days are reduced by up to 10 days annually for conversion to the In-scope Flexible Spending Account for in-scope employees with at least 30 years of company service.

For management employees, the years of service is the time earned up to and including December 31, 2005. Effective June 13, 2006 the retiring allowance was converted, for service time earned subsequent to December 31, 2005 to an annual contribution to a registered savings plan for those employees, other than designated executive employees. For designated executive employees, for service time earned subsequent to December 31, 2005, the retirement benefit will continue to accrue within the Plan.

The Plan is not registered under the *Income Tax Act* (Canada).

SaskEnergy managed the Plan from June 1, 1988 to January 13, 2004. On January 13, 2004, an Order in Council designated the Plan as a benefit program to be established, operated, administered and managed by the Public Employees Benefits Agency (PEBA). PEBA has an agreement with SaskEnergy setting out specific administration services that SaskEnergy will provide.

The following description is a summary of the contents of the Plan. For more complete information, reference should be made to the Plan document.

**Eligibility**

Under the Plan, SaskEnergy's permanent employees are eligible to receive benefits from the Plan upon termination of employment with SaskEnergy if they reach their benefit eligibility date prior to termination. The benefit eligibility date is the date when an employee becomes eligible to retire. If an active employee dies prior to retirement, the retiring allowance is paid to the employee's estate as a death benefit. Employees who are terminated for cause are not eligible.

For designated executive members, benefits which have accrued prior to December 31, 2005 are eligible to be paid out upon termination of employment with SaskEnergy if they reach their benefit eligibility date prior to termination. The benefit eligibility date is the date when an executive becomes eligible to retire. If an active executive dies prior to retirement, the retiring allowance is paid to the employee's estate as a death benefit. With respect to benefits which accrue subsequent to December 31, 2005, executive employees, who terminate employment with SaskEnergy prior to retirement, are eligible to receive payment for service time earned after December 31, 2005.

As of December 31, 2022, there were 177 (2021 - 237) participants in the Plan and 22 (2021 - 21) terminated participants who received benefits from the Plan during the year.

### **Benefits**

Employees meeting the eligibility criteria receive a lump sum payment equal to:

- a) Four days pay at their retirement salary rate multiplied by the first 35 years of service, if 35 years of service was reached prior to January 31, 2000; or
- b) Five days pay at their retirement salary rate multiplied by years of service to a maximum of 35 years, if 35 years was not reached prior to January 31, 2000; and
- c) Two days pay multiplied by years of service for greater than 35 years (as defined in the Plan document).

For in-scope employees, the years of service is the time earned up to and including December 31, 2004, less service time converted to other employee benefits. For management employees, the years of service is the time earned up to and including December 31, 2005.

Designated executive employees, with service time subsequent to December 31, 2005, who terminate employment prior to retirement, are also eligible to receive five days' pay at their termination rate for years of service earned after December 31, 2005.

## **2. Significant Accounting Policies**

The accounting policies set out below have been applied in the Plan financial statements:

- a) **Basis of measurement**  
With the exception of the benefit liability, these financial statements have been prepared on the historical cost basis (Note 3).
- b) **Financial instruments**  
The SaskEnergy contribution receivable, a financial instrument, has been recorded at cost, which approximates its fair value.
- c) **Accrued benefits obligation**  
The accrued benefits obligation and cost of service benefits are determined using the projected benefit method pro-rated on service.
- d) **Use of estimates**  
These statements are prepared in accordance with Canadian Public Sector Accounting Standards (PSAS). These principles require management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. Actual results may

differ from these estimates, while differences are reflected in current operations when identified.

The financial statements are prepared in accordance with Canadian PSAS; however, the statements do not present a Statement of Re-measurement Gains and Losses or a Statement of Cash Flow. The Plan does not have these types of gains and losses and cash flow information is readily available in the statements and the notes.

### 3. Benefit Liability

The benefit liability of the Plan is receivable from SaskEnergy. The present value of the accrued benefits obligation was determined using the projected benefits method prorated on years of service and the best estimate assumptions of SaskEnergy's management. Experience gains and losses result from actual experience differing from that expected and are recognized as respective decreases and increases in the accrued benefits obligation.

An actuarial valuation was performed by AON as at December 31, 2022, to determine the actuarial present value of the accrued benefits obligation.

The accrued benefits obligation is based on certain assumptions about future events. Actual experience may vary significantly from the long-term assumptions used. The actuarial valuation is based on the following assumptions:

	<u>2022</u>	<u>2021</u>
Discount Rate	4.2%	1.9%
Inflation Rate <sup>1</sup>	6.6%	2.7%
Salary Increase Rate <sup>2</sup>	3.0%	3.0%
Termination Rate up to age 50	3.0%	3.0%

<sup>1</sup> Included in the salary increase rate is an inflation rate assumption, which is equal to 6.6 per cent.

<sup>2</sup> The salary increase rate used as at December 31, 2022 was estimated from the most recent collective bargaining agreement. As a result, the salary increase rate for in-scope employees was three per cent for 2022. The salary increase rate used for management employees was three per cent for 2022.

- Retirement - Members of the Power Corporation Superannuation Plan – Earlier of age 62 or when 37 years of service is attained
- Members of the Public Employees' Pension Plan – Age 58

The following illustrates the effect of changes in these assumptions on the accrued benefits obligation:

<b>Assumption</b>	<b>Change Made</b>	<b>Change in Liability at December 31, 2022 (000's)</b>	<b>Percentage change in Liability</b>
Termination Rate up to age 50	Plus 0.5%	(4)	(0.1%)
	Minus 0.5%	4	0.1%
Discount Rate	Plus 0.5%	(27)	(0.9%)
	Minus 0.5%	28	1.0%
Salary Increase Rate	Plus 0.5%	24	0.8%
	Minus 0.5%	(24)	(0.8%)

The actuarial present value of the accrued benefits obligation is long-term in nature and there is no market for settling this obligation. Therefore, determination of the fair value is subject to measurement uncertainty and is not practicable.

The following table summarizes the reconciliation of the benefit liability for the current and prior period:

(in thousands)	<b>2022</b>	<b>2021</b>
<b>Accrued benefit obligation, beginning of year</b>	<b>\$ 3,683</b>	<b>\$ 4,398</b>
Benefits expense	20	15
Interest cost	64	46
Actual benefit costs	(603)	(416)
Other benefit payments	(201)	(237)
Plan experience (gain) loss	48	(53)
Change in discount rate assumption	(139)	(70)
<b>Accrued benefit obligation, end of year</b>	<b>\$ 2,872</b>	<b>\$ 3,683</b>
Unamortized estimation adjustments – gain	100	14
<b>Benefit liability</b>	<b>\$ 2,972</b>	<b>\$ 3,697</b>

#### 4. Financial Risk Management

The nature of the Plan's operations result in a statement of net assets and accumulated surplus, consisting entirely of financial assets and liabilities. As benefits are funded out of current operations of SaskEnergy, the Plan's financial risks relate primarily to credit risk. The maximum credit risk to which it is exposed at December 31, 2022 is limited to the carrying value of its contributions receivable from SaskEnergy.

#### 5. Related Parties

Included in these financial statements are transactions with SaskEnergy who is related to the Plan by virtue of common control by the Government of Saskatchewan.

The Plan has received the use of office space and administrative services from SaskEnergy at no charge. Additionally, PEBA provides administrative services to the Plan for an administration fee which is paid by SaskEnergy.