



# 2021

## ANNUAL REPORT

Your pension  
Your future



# Municipal Employees' Pension Plan

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# The Municipal Employees' Pension Plan (MEPP)

MEPP provides retirement benefits to the employees of school divisions, urban and rural municipalities, regional colleges, regional public libraries and other local authorities within the province of Saskatchewan.

## *Purpose*

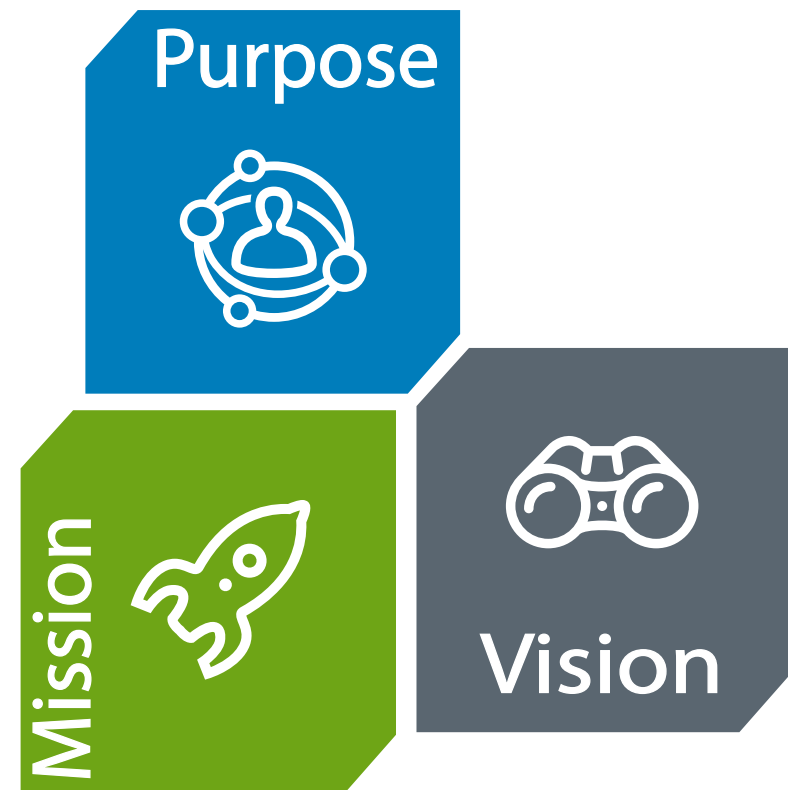
Provide retirement income and pension services to members.

## *Mission Statement*

Provide secure and predictable retirement income to plan members.

## *Vision*

Sustain the value of the Plan and the retirement income it provides.



# 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 Municipal Employees' Pension Plan for the year ending December 31, 2021.

A handwritten signature in black ink that reads "Donna Harpauer". The signature is fluid and cursive, written in a professional style.

Donna Harpauer  
Minister of Finance



The Honourable Donna Harpauer  
Minister of Finance

Madam:

On behalf of the Municipal Employees' Pension Commission, I have the honour of submitting the Annual Report of the Municipal Employees' Pension Plan for the year ending December 31, 2021.

A handwritten signature in black ink that reads "Ashley Stradeski". The signature is fluid and cursive, written in a professional style.

Ashley Stradeski  
Interim Chair

# Message from the Chair

It is my honour to chair the Municipal Employees' Pension Commission (the Commission) for the remainder of 2022. Appreciation and gratitude is extended to our outgoing Chair, Jeff McNaughton, for his guidance, support, leadership and insight during his tenure as both Chair and a member of the Commission.

I thank the Commission members for their dedication and commitment as they navigated the Municipal Employees' Pension Plan (MEPP, the Plan) through another challenging pandemic year. I also extend gratitude and appreciation to the Public Employees Benefits Agency (PEBA) who continued to deliver remarkable plan administration throughout this pandemic.

It was business as usual throughout 2021, thanks to the integrity, professionalism and perseverance of Commission members and PEBA.

Sustainability of MEPP is important to us. The work accomplished this past year is a prime example of how we continue to strengthen and enhance the Plan.

The Commission went back to the foundational values, goals and objectives in our strategic planning session this year to assist us in determining our principles and priorities for the next three years. We also started a comprehensive review of the funding

policy. A new strategic business plan was approved which includes initiatives that will support us in accomplishing our goals.

As the health and well-being of our community was top of mind this past year, so too was the health and well-being of the Plan. The Commission approved the first ad-hoc increase to pensions since 2009. This was the result of a comprehensive assessment of the health and sustainability of MEPP. The pension increase took effect on January 1, 2022.

We continue to prioritize engagement with our members and stakeholders. Early in the year, the Commission reviewed a report which included recommendations for member engagement practices that came from a third-party review in late 2020. In response, the Commission approved a new three-year stakeholder engagement strategy. In October, we also invited plan members to take part in the biennial satisfaction survey. Results from this survey will help us understand ways we can further strengthen our support to members.

PLANet, our new online member portal, just celebrated its one-year anniversary! In the first year, over 2,900 active members registered for PLANet. We also saw a new accessibility feature added in this year. Members can now view their statements online- at any time! If you are an active member of MEPP, I encourage you to register for PLANet.

Our thanks go out to Brad Hvidston, Beverly Crossman, Randy Goulden and Randy Hurd for their support of the Plan's governance during their time on the Commission. We welcomed five new members during this year and committed time and resources on governance and training. You will find information on our newest Commission members on the MEPP website.

Exemplary service to our members will remain a core value and top priority for the year ahead as we continue to strengthen the Plan's long-term sustainability to provide retirement income for years to come.

It is my honour to highlight the Plan's achievements for 2021. On behalf of the Commission, I present the Annual Report for the year ended December 31, 2021.



Ashley Stradeski  
Interim Chair, Municipal Employees' Pension  
Commission

# 2021 Financial Highlights

## Plan assets



**\$3.5**  
billion

|                         |                  |
|-------------------------|------------------|
| Assets                  | \$ 2,925,938,000 |
| Liabilities & Reserves* | \$ 2,377,078,000 |
| Surplus                 | \$ 548,860,000   |
| Funded Ratio            | 123.1%           |

According to the Actuarial Valuation as at December 31, 2020 the financial position of the plan shows MEPP is 123.1 per cent funded. Markets experienced significant fluctuations throughout 2021 impacting the funded ratio.

\*Reserves are established to provide protection for the Plan.

## Contributions to the Plan



**\$120.6**  
million

## Total pension payroll

**\$92.1**  
million



## Investment and administration costs



**\$51.7**  
million

## Total fund return (Return Net of Fees)

**11.7**  
per cent



## Total transfers, refunds and termination payments



**\$38.1**  
million

# Looking back...

## Contributions to the plan

| 2020            | 2019            | 2018            | 2017           |
|-----------------|-----------------|-----------------|----------------|
| \$115.6 million | \$114.2 million | \$104.0 million | \$99.2 million |

## Investment and administration costs

| 2020           | 2019           | 2018           | 2017           |
|----------------|----------------|----------------|----------------|
| \$34.7 million | \$34.9 million | \$32.6 million | \$26.1 million |

## Pension payroll

| 2020           | 2019           | 2018           | 2017           |
|----------------|----------------|----------------|----------------|
| \$87.2 million | \$82.3 million | \$76.1 million | \$71.6 million |

## Fund benchmark

| 2020          | 2019          | 2018          | 2017         |
|---------------|---------------|---------------|--------------|
| 11.0 per cent | 15.1 per cent | -1.0 per cent | 9.8 per cent |

## Transfers, refunds and termination payments

| 2020           | 2019           | 2018           | 2017           |
|----------------|----------------|----------------|----------------|
| \$37.9 million | \$49.5 million | \$47.1 million | \$45.0 million |

## Fund return

| 2020          | 2019          | 2018         | 2017         |
|---------------|---------------|--------------|--------------|
| 14.3 per cent | 13.4 per cent | 1.4 per cent | 9.2 per cent |

# Plan Profile

## Membership



26,750

Plan Members

16,226

Active

3,734

Inactive

6,790

Pensioners

Total member inquiries  
Email & Phone



16,400

Members who attended  
webinars and  
one-to-one  
consultations



206

Average Age of  
Active Members

46.9  
Years



Members very satisfied or satisfied with the service they receive

94%



## Member Activity



2,909  
active members  
registered for PLANet

3,106 active members

Have registered to use the  
online MORE calculator



## Employers

participating  
employers 745



152 employer meetings

## Connect With Us!

380 followers

↑ 29% from 2020

163 followers

↑ 14% from 2020



**M**EPP is a defined benefit pension plan providing retirement benefits to municipal employees in Saskatchewan, unless they participate in another pension plan.

Plan membership includes the employees of:

- urban and rural municipalities;
- school divisions (other than teachers);
- le Conseil des écoles fransaskoises;
- regional libraries and colleges; and
- any other groups or organizations that may be designated by regulation of the Lieutenant Governor in Council.

Pensions are based on a formula that provides pension, disability, death and termination benefits for all eligible members.

The formula is based on highest average salary, pensionable service and the accrual rate in effect during the years of service.

Members contribute a fixed percentage of salary. Employers match these contributions.

The amount of pension a member will receive is not directly related to investment returns.

An adequate level of contributions and positive investment returns are necessary to secure the Plan's ability to pay benefits.

Under normal retirement rules, members may retire and receive a pension with no reduction if they are 65 years of age or if their age and eligibility service equal at least 80 years.

Members may retire and receive a reduced pension if they have reached age 55 and have at least 15 years of eligibility service.

Designated firefighters and police officers may receive an unreduced pension if their age and eligibility service equal at least 75 years, they are 55 years of age or they have at least 25 years of eligibility service.

These members may retire and receive a reduced pension if they have reached age 45 and their age and eligibility service equal at least 70.

MEPP's history began in the 1940s. Initially, the Rural Municipal Secretary Treasurers' Superannuation Plan was established in 1941. In 1949, the Urban Employees' Superannuation Plan was established. In 1959, these two plans joined to form the Municipal Employees' Superannuation Plan, which became a defined benefit plan in 1973.

MEPP is registered under the *Income Tax Act* (Canada) and *The Pension Benefits Act, 1992*. It is governed by *The Municipal Employees' Pension Act* (the Act) and regulated regulations.

# Municipal Employees' Pension Commission

(at December 31, 2021)



**Jeff McNaughton,  
Chair**

Saskatchewan School  
Boards Association



**Mark Fedak**

Saskatchewan School  
Boards Association



**Evan Handley**

Associations representing  
designated firefighters and  
police officers



**Janice Wolfmueller,  
Vice-Chair**

Canada Union of Public  
Employees (CUPE)



**Beverley Lawreniuk**

Regional colleges/  
Regional libraries



**Glenda Lemcke**

Urban Municipal  
Administrators Association  
of Saskatchewan



**Ashley Stradeski**

Employers that employ  
designated members



**Harvey Malanowich**

The Saskatchewan Association  
of Rural Municipalities



**Rod Quintin**

The Saskatchewan Association  
of School Business Officials



**Richard Beck**

Saskatchewan Urban  
Municipalities Association



**Wendy Gowda**

The Rural Municipal  
Administrators' Association  
of Saskatchewan



**Marney Robinson**

Trade unions other than  
CUPE, Police and Fire

The Commission has the fiduciary responsibility for administering MEPP and managing the investment activities in the best interests of all MEPP members.

The Commission has 12 members, six appointed by participating employers and six by organizations that represent employee groups. The full term of office for Commission members is four years. A member may be appointed for two terms.

Every two years, the Commission members elect a Chair and a Vice-Chair. The Commission selected the Chair and Vice-Chair for 2021 and 2022 in November 2020.

At December 31, 2021, the Commission was composed of the members listed in Table 1.1.

## 9 Meetings Held in 2021

## 12 Commission Members

| Name                           | Meetings Attended |
|--------------------------------|-------------------|
| Jeff McNaughton, Chair         | 9                 |
| Janice Wolfmueller, Vice-Chair | 9                 |

| Name                | Meetings Attended |
|---------------------|-------------------|
| Ashley Stradeski    | 8                 |
| Richard Beck        | 8                 |
| Mark Fedak          | 9                 |
| Beverley Lawreniuk* | 3                 |
| Harvey Malanowich   | 8                 |

| Name            | Meetings Attended |
|-----------------|-------------------|
| Wendy Gowda     | 9                 |
| Evan Handley*   | 3                 |
| Glenda Lemcke*  | 3                 |
| Rod Quintin     | 9                 |
| Marney Robinson | 9                 |

\* Beverley Lawreniuk, Evan Handley and Glenda Lemcke were appointed to the Commission in September 2021 and therefore were only eligible to attend three meetings.

Table 1.1

# Goals

## Customer Service Excellence

The Commission is determined to identify, assess, and implement opportunities where appropriate, that add value to the communication and service provided to Plan members.

## Plan Integrity

The Commission is committed to achieving the needs of Plan members and employers through affordable, sustainable Plan benefits and services.

## Governance Leadership

The Commission strives to demonstrate leading practices in pension plan governance.

## Transparent Accountability

The Commission informs the Plan's members and stakeholders about its strategy, operations and values, as well as how Plan performance is measured, managed and reported.

# Mission

Provide secure and predictable income to plan members.

# Vision

Sustain the value of the plan and the retirement income it provides.



# Values

## Accountability

We are accountable to the members and stakeholders of the Municipal Employees' Pension Plan for our administration of the Plan. We operate in a transparent manner.

## Professionalism

We strive for excellence in the administration of the Municipal Employees' Pension Plan by being diligent and making informed decisions.

## Integrity

As trustees of the Municipal Employees' Pension Fund (the Fund), we hold ourselves to the highest standards of integrity. We strive to act always with honesty and in a manner worthy of the trust our members have placed in us.

## Fairness

We administer the Municipal Employees' Pension Plan in the best interests of all members of the Plan. We strive to ensure that our decisions are equitable for all Plan members by adhering to decision making that is fair and open-minded. Our actions are courteous, considerate and responsive.

# Education

## To understand governance issues

Upon appointment, new Commission members receive information outlining the documents that come before the Commission, the MEPP member booklet, the Annual Report, information on the budget, the funding policy, the Statement of Investment Policies and Procedures (SIP&P), the Strategic Business Plan and updates, the Risk Management Plan and review of the previous year's Risk Management Plan, as well as the meeting minutes for the past year.

Within three months of appointment, members will receive an orientation provided by PEBA.

## To understand pension investment

There is an education program for Commission members. The purpose of this program is to ensure Commission members possess a sound knowledge and understanding of pension, investment and governance issues. The Commission budgets \$5,000 per year for each Commission member for educational registration fees.

Commission members have a formal education program that they are required to attend. The program provides courses and seminars that deliver content specific to investments, funding, and governance-related information.

Within one year, members must attend education sessions on basic investment and actuarial principles, as well as a basic or introductory level course on board governance, trust management, administration and/or fund investment provided by a recognized school or industry expert.

Within two years of being appointed to the Commission, members are to complete a more advanced course on board governance, trust management and administration, and/or fund investment provided by a recognized school or an industry expert.

Commission members who have completed the formal education program are required to attend one educational event annually that is facilitated by an industry-recognized pension and benefits organization.

As part of their ongoing education, conferences and other events attended by Commission members provide them with information on the current governance, investment and legal environment affecting pension plans. These also provide opportunities for Commission members to meet with pension experts and trustees from other plans to discuss common issues.

Many of the courses that are part of the formal education program were not offered in 2021 because of COVID-19 restrictions.

As part of a comprehensive education program, sessions delivered by industry professionals were provided throughout the year as agenda items during Commission meetings.

Commission members were provided education on basic actuarial principles, board culture, defined benefit themes and trends, responsible investment and investment trends during meetings in 2021.

Table 1.2 lists education events attended by Commission members in 2021.

## Events Attended in 2021

| Name                           | Education Events Attended   |
|--------------------------------|---|
| Jeff McNaughton, Chair         | <ul style="list-style-type: none"> <li>Institute of Corporate Directors: Board Oversight of Strategy</li> </ul>   |
| Janice Wolfmueller, Vice-Chair | <ul style="list-style-type: none"> <li>Webinar: Tapping the Strategic Potential of Boards</li> <li>Lancaster House: National Pensions Conference</li> </ul>           |
| Richard Beck                   | <ul style="list-style-type: none"> <li>Foundations of Trust Management Standards</li> </ul>   |
| Mark Fedak                     | <ul style="list-style-type: none"> <li>School of Pension Investment Management</li> <li>Institute of Corporate Directors: Board Oversight of Cybersecurity</li> </ul> |
| Beverley Lawreniuk             | <ul style="list-style-type: none"> <li>Foundations of Trust Management Standards</li> </ul>   |
| Harvey Malanowich              | <ul style="list-style-type: none"> <li>ACPM Webinar: Illuminating the Value of ESG Integration Within Investment Governance</li> </ul>                                |
| Ashley Stradeski               | <ul style="list-style-type: none"> <li>Advanced Trust Management Standards- Session A</li> </ul>  |
| Wendy Gowda                    | <ul style="list-style-type: none"> <li>Foundations of Trust Management Standards</li> </ul>   |
| Rod Quintin                    | <ul style="list-style-type: none"> <li>Foundations of Trust Management Standards</li> <li>Advanced Trust Management Standards- Session A</li> </ul>                   |
| Marney Robinson                | <ul style="list-style-type: none"> <li>ACPM Webinar: How Canadian Defined Pension Plans are Positioned for the Future</li> <li>ACPM National Conference</li> </ul>    |

Table 1.2

Note: ACPM is the Association of Canadian Pension Management.

Note: In addition to the ongoing education events listed above, comprehensive education sessions on basic actuarial principles, board culture, Defined Benefit themes and trends, responsible investment and investment trends were offered within Commission meetings during 2021.

# Remuneration

Commission members are reimbursed for expenses incurred while on Commission business and for education costs.

A remuneration compensating Commission members for the time necessary to prepare for and conduct Commission business is also provided.

Remuneration is made according to Table 1.3.

Commission expenses for 2021 are shown in Table 1.4.

## Commission Education Costs in 2021

# \$28,990.31

|  | Commission Chair              | Commission Member            |
|--|-------------------------------|------------------------------|
| Per Diem- meetings                                       | \$450                         | \$250                        |
| Preparation for meeting attended                         | \$450                         | \$250                        |
| Per Diem- education                                      | \$250                         | \$250                        |
| Preparation for and attendance at sub-committee meetings | Sub-committee Chair,<br>\$225 | \$125                        |
| Travel time  | \$0.30/km                     | \$0.30/km                    |
| Course registrations- maximum per year <sup>†</sup>      | \$5,000                       | \$5,000                      |
| Expenses   | reimbursement as<br>incurred  | reimbursement as<br>incurred |
| Preparation for education attended, if required          | \$250                         | \$250                        |
| Education- Exam  | \$125                         | \$125                        |

Table 1.3

<sup>†</sup> If a Commission member attends the Rotman Pension Governance Education Program as a required course in the second year, the member may exceed the maximum as the course fees are greater than the annual maximum. However, the member is not eligible to attend any other education event that are not complementary in that year.

## Commission Expenses

|                                 | Course Registrations | Education Honorariums & Travel Time | Education Expenses | Meeting Honorariums & Fees | Meeting Expenses  | Total              |
|---------------------------------|----------------------|-------------------------------------|--------------------|----------------------------|-------------------|--------------------|
| Jeff McNaughton, Chair          | \$1,395.00           | \$725.00                            | \$0.00             | \$9,475.00                 | \$220.00          | \$9,695.00         |
| Janice Wolfmueeller, Vice-Chair | \$1,345.00           | \$625.00                            | \$0.00             | \$5,408.60                 | \$243.04          | \$5,651.64         |
| Richard Beck                    | \$1,595.00           | \$750.00                            | \$0.00             | \$5,125.00                 | \$0.00            | \$5,125.00         |
| Beverly Crossman                | \$0.00               | \$0.00                              | \$0.00             | \$3,276.40                 | \$203.68          | \$3,480.08         |
| Mark Fedak                      | \$4,095.00           | \$1,250.00                          | \$0.00             | \$7,150.00                 | \$180.00          | \$7,330.00         |
| Wendy Gowda                     | \$1,595.00           | \$750.00                            | \$0.00             | \$5,365.00                 | \$742.80          | \$6,107.80         |
| Evan Handley                    | \$0.00               | \$250.00                            | \$0.00             | \$1,745.00                 | \$209.44          | \$1,954.44         |
| Randy Hurd                      | \$0.00               | \$0.00                              | \$0.00             | \$3,725.00                 | \$756.00          | \$4,481.00         |
| Brad Hvidston                   | \$0.00               | \$0.00                              | \$0.00             | \$3,750.00                 | \$769.48          | \$4,519.48         |
| Beverly Lawreniuk               | \$1,795.00           | \$250.00                            | \$0.00             | \$1,842.20                 | \$802.20          | \$2,644.40         |
| Glenda Lemcke                   | \$0.00               | \$250.00                            | \$0.00             | \$1,761.20                 | \$484.53          | \$2,245.73         |
| Harvey Malanowich               | \$50.00              | \$0.00                              | \$0.00             | \$4,625.00                 | \$150.00          | \$4,775.00         |
| Rod Quintin                     | \$3,390.00           | \$2,000.00                          | \$1,084.21         | \$5,525.00                 | \$574.03          | \$6,099.03         |
| Marney Robinson                 | \$695.00             | \$625.00                            | \$0.00             | \$5,601.40                 | \$1,092.78        | \$6,694.18         |
| Ashley Stradeski                | \$1,795.00           | \$1,375.00                          | \$1,306.10         | \$5,849.40                 | \$756.38          | \$6,605.78         |
| <b>Total</b>                    | <b>\$17,750.00</b>   | <b>\$8,850.00</b>                   | <b>\$2,390.31</b>  | <b>\$70,224.20</b>         | <b>\$7,184.36</b> | <b>\$77,408.56</b> |

Table 1.4



# Contracted Services

The Commission is ultimately responsible for the Plan's administration, communication and investment activities. To discharge these responsibilities, the Commission uses the services of various organizations.

The Commission contracts with PEBA to provide executive management and administrative services for the Plan. PEBA is part of the Ministry of Finance, Government of Saskatchewan, and administers a wide range of pension and benefit plans.

Under contract with the Commission, PEBA:

- maintains all member and accounting records;
- collects and deposits contributions to the Fund;
- transfers contributions to the custodian of the Fund for investment;

- monitors, administers and assists in the execution of the Plan's investment program in accordance with the investment policy;
- calculates and pays all pension benefits;
- communicates with members and participating employers;
- recommends an actuary as an advisor to PEBA and the Commission, and retains an actuary selected on behalf of the Commission;
- recommends policy regarding calculating rates of interest and implements and calculates the rates of return for the Plan; and
- prepares the annual report.

PEBA is responsible for ensuring that all transactions are made in accordance with the Act, *The Pension Benefits Act, 1992*, and their related regulations.

The Commission retains CIBC Mellon Trust Company as the Plan custodian, KPMG as Plan auditor, LifeWorks as Plan actuary, Aon as strategic investment consultant and Hamilton Lane Advisors L.L.P as private markets investment consultant.

The Commission also retains the investment managers listed in Table 1.10 on page 38 of this report.

# Plan Expenditures and Statistics

## Active Employers

# 745

- 50.7%** Towns and Villages (378)
- 39.7%** Rural Municipalities (296)
- 3.2%** School Divisions & Boards (24)
- 2.8%** Other (21)
- 1.9%** Regional Colleges & Libraries (14)
- 1.6%** Cities (12)

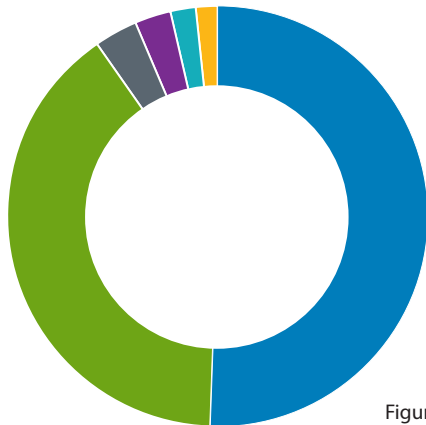


Figure 1.1

## Active members by employers

# 16,475

- 57.0%** Schools (9,350)
- 14.0%** Rural Municipalities (2,249)
- 11.0%** Cities (1,833)
- 8.0%** Towns (1,299)
- 4.0%** Regional Colleges (583)
- 3.0%** Villages (551)
- 2.0%** Regional Libraries (362)
- 1.0%** Other (248)

The above includes the number of active members working for each employer. Some members work for more than one MEPP employer (i.e., a rural municipality and a village), and as a result are counted more than once.

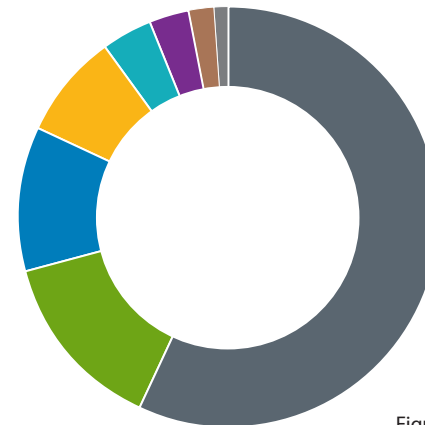


Figure 1.2

## Pension Payments

|                      | 2021       | 2020       |
|----------------------|------------|------------|
| Normal Retirement    | 62         | 80         |
| Early Retirement     | 202        | 205        |
| Postponed Retirement | 202        | 158        |
| Survivor Pensioner   | 0          | 1          |
| <b>Total</b>         | <b>466</b> | <b>444</b> |

Table 1.5

## Plan Membership

|                  | 2021          | 2020          |
|------------------|---------------|---------------|
| Active Members   | 16,226        | 16,002        |
| Inactive Members | 3,734         | 3,718         |
| Pensioners       | 6,790         | 6,562         |
| <b>Total</b>     | <b>26,750</b> | <b>26,282</b> |

Table 1.6

### Income Allocation

In 2021, the Commission allocated interest to members' accounts at the rate of 0.7 per cent for the year.

### Supplemental Increases for Pensioners

No supplemental increases were applied in 2021.

### Operating Expenses

Table 1.7 shows plan operating expenditures for the year ended December 31, 2021.

# Expenses

|   | Total Cost<br>(\$ thousands) | (%)           |
|---|------------------------------|---------------|
| Administration costs / Investment consultant fees | 8,566                        | 16.57         |
| Custodial fees                                    | 655                          | 1.27          |
| <b>Investment management fees</b>                 |                              |               |
| TD Asset Management Inc.                          | 727                          | 1.41          |
| BlackRock Asset Management Canada Ltd.            | 209                          | 0.40          |
| Insight Investment Management Ltd                 | 115                          | 0.22          |
| Foyston, Gordon & Payne Inc.                      | 529                          | 1.02          |
| Snyder Capital Management, LP                     | 582                          | 1.13          |
| Oberweis Asset Management, Inc.                   | 725                          | 1.40          |
| Morgan Stanley Investment Management              | 1,062                        | 2.05          |
| Pzena Institutional Management                    | 1,394                        | 2.70          |
| Robeco Institutional Asset Management             | 552                          | 1.07          |
| Neuberger Berman Investment Advisers LLC          | 1,310                        | 2.53          |
| Fidelity Investments Canada ULC                   | 409                          | 0.79          |
| Infrastructure                                    | 3,080                        | 5.96          |
| Canso Investment Council Ltd.                     | 669                          | 1.29          |
| PIMCO Canada Corp.                                | 631                          | 1.22          |
| Vontobel Asset Management Inc.                    | 951                          | 1.84          |
| Private Equity                                    | 2,532                        | 4.90          |
| <b>Performance fees</b>                           |                              |               |
| Infrastructure                                    | 3,978                        | 7.69          |
| Private Equity                                    | 17,653                       | 34.14         |
| BlackRock Asset Management Canada Ltd.            | 3,224                        | 6.24          |
| <b>Other Investment fees</b>                      | 2,153                        | 4.16          |
| <b>Total</b>                                      | <b>51,706</b>                | <b>100.00</b> |

Table 1.7

# PEBA Service Standards

January 1, 2021 to December 31, 2021

|  | Completed    | Number that Met or Exceeded Standard | % that Met or Exceeded Standard | *Standard (Business Days and % Target) |     |
|--|--------------|--------------------------------------|---------------------------------|--|-----|
| Statement on Termination (Option Letter)             | 1,938        | 1,879                                | 97.0                            | 20                                     | 75% |
| Statement on Death (Active/Deferred) (Option Letter) | 60           | 42                                   | 70.0                            | 10                                     | 80% |
| Statement on Death (Pensioners) (Option Letter)      | 227          | 202                                  | 89.0                            | 10                                     | 80% |
| Payments (includes on termination and death)         | 2,039        | 1,963                                | 96.3                            | 10                                     | 80% |
| Payment of New Retirements                           | 486          | 428                                  | 88.1                            | 15                                     | 80% |
| Pension Estimates (Retirement Option Letter)         | 613          | 506                                  | 82.5                            | 10                                     | 90% |
| Marriage Breakdown Calculations                      | 45           | 38                                   | 84.4                            | 10                                     | 75% |
| Purchase of Service                                  | 71           | 64                                   | 90.1                            | 20                                     | 80% |
| Portability Transfer Values                          | 30           | 30                                   | 100.0                           | 30                                     | 80% |
| <b>Total</b>   | <b>5,509</b> | <b>5,152</b>                         | <b>93.5</b>                     |  |     |

Table 1.8

# Key Performance Indicators

# Critical Success Factors

The Plan measures these critical success factors in four categories:

**Customer measures** track the performance of key customer-related tasks and how well members tell the Plan it is doing in terms of the information and services it provides members.

**Financial measures** track the Plan's performance in the areas of administration costs and investment performance.

**Innovation and Learning** measures track the Commission's performance of educational activities supporting its oversight of the Plan's administration and investment activities.

**Internal measures** track the Plan's performance in the area of internal administration and governance processes.

Establishing targets ensures that the Commission is able to review the Plan's performance of key administrative tasks against a standard of practice, track any changes in performance over time, and be aware of the areas of strength and weakness in the Plan's administration.

The Commission reviews these key performance indicators semi-annually. A review of the Plan's performance in 2021 is provided on the following pages.

## Summary

The Plan met 12 of 13 key performance indicators in 2021. All measures in the Customer, Internal and Innovation and Learning quadrants met or exceeded targets.

The fund rate of return continues to exceed benchmark and administrative costs are projected to fall within the budget.

All of the Commission's key service providers evaluated during the year were rated as "satisfactory".

As part of their 2021 meetings, Commission members received education on basic actuarial principles, governance, defined benefit themes and investment trends.





## Customer Measures

|  | Measure  | Target   | Result |
|--|--|--|--------|
| Provide service within service standards | Member transactions within service standards           | More than 80 per cent of transactions meet service standards.                              | Met    |
| Effective Communication (Member)         | Member satisfaction with information sessions          | More than 90 per cent of member responses indicate satisfaction with information sessions. | Met    |
| Quality of Customer Service (Member)     | Member satisfaction with quality of customer service   | More than 80 per cent of member responses indicate satisfaction with customer service.     | Met    |
| Effective Communication (Member)         | Member satisfaction with quality of materials          | More than 80 per cent of member responses indicate satisfaction with Plan materials.       | Met    |
| Quality of Customer Service (Employer)   | Employer satisfaction with quality of customer service | More than 90 per cent of employer responses indicate satisfaction with customer service.   | Met    |

## Financial Measures

|                                 | Measure  | Target  | Result               |
|---------------------------------|--|---|----------------------|
| Returns greater than benchmarks | Measure of the value-add in relation to the benchmark for the Fund | Rolling four-year rate of return is greater than the Fund benchmark.                            | Met                  |
| Plan Sustainability             | Management valuation target funding ratio                          | Management valuation target funding ratio ensures sufficient assets to pay for future benefits. | Met                  |
| Performance to Budget           | Administration costs are less than budgeted                        | Administration costs are within budgeted amount.  | Not met <sup>1</sup> |

<sup>1</sup> The Commission's budget cycle is April 1, 2020 to March 31, 2021. At December 31, 2021, Plan expenses were anticipated to exceed the original approved budget. A supplementary budget request is required to cover costs.

## Innovation and Learning

|                       | Measure                                 | Target  | Result |
|-----------------------|---|---|--------|
| Commission Leadership | Commission engages in ongoing education | At least 80 per cent of the Commission undertakes a course. | Met    |

## Internal Measures

|                       | Measure   | Target   | Result |
|-----------------------|---|--|--------|
| Governance Excellence | Compliance with the CAPSA Guidelines                  | Commission demonstrates 100 per cent compliance with CAPSA <sup>1</sup> guidelines.                              | Met    |
| PEBA Leadership       | Satisfactory rating for executive management services | Commission's evaluation of its administrator shows satisfaction with the executive management services provided. | Met    |
| Supplier Management   | Investment manager compliance reporting, annually     | All required compliance reports are submitted.   | Met    |
| Supplier Management   | Service provider performance is satisfactory          | Performance of all service providers is satisfactory.  | Met    |

<sup>1</sup>CAPSA- Canadian Association of Pension Supervisory Authorities.

# Strategic Initiatives

The Commission conducts periodic strategic planning sessions and reviews the strategic plan at least annually. On April 13, 2021, the Commission held a strategic business planning session and developed a strategic business plan for 2021-2023.

The strategic business plan is developed as part of the Commission's comprehensive

governance process, and includes regular strategic business planning and risk management planning. It is developed within the context of the Plan's purpose, mission, vision and goals, and the Commission's values of accountability, professionalism, integrity and fairness.

The updated strategic business plan considers a number of internal and external factors and a summary of the strategic business plan for 2021-2023 is available on the Plan website.

## Customer Service Excellence

The Commission is determined to identify, assess, and implement opportunities that add value to the communication and service provided to Plan members.

## Transparent Accountability

The Commission informs the Plan's members and stakeholders about its strategy, operations and values, as well as how Plan performance is measured, managed and reported.

## Governance Leadership

The Commission strives to demonstrate leading practices in pension plan governance.

## Plan Integrity

The Commission is committed to achieving the needs of Plan members and employers through affordable, sustainable Plan benefits and services.

## Customer Service Excellence

The Commission is determined to identify, assess, and implement opportunities that add value to the communication and service provided to Plan members.

### ***The Commission's objectives:***

- provide members with information about the Plan, including individual member benefits and responsibilities, that is easy to understand, relevant, accurate, and timely;
- support participating employers in their responsibilities; and
- maintain an up-to-date suite of services that meet evolving member needs.

### ***Activities in 2021:***

- *MEPP's Your Path to Retirement virtual webinars continued to educate members while complying with COVID-19 restrictions.*
- *The Commission approved a strategy for engagement with members and stakeholders.*
- *The Commission reviewed a report comparing MEPP's administration against the administration of similar pension plans.*

## Transparent Accountability

The Commission informs the Plan's members and stakeholders about its strategy, operations and values, as well as how Plan performance is measured, managed and reported.

### ***The Commission's objectives:***

- members, employees and other stakeholders receive relevant and timely reporting on the performance of the Plan, the Commission and service providers; and
- the membership, employers and other stakeholders are informed about how the Commission's strategy, operations and values impact the operation of the Plan.

### ***Activities in 2021:***

- *Information about Key Performance Indicators is available within this annual report.*
- *Activity reports to Stakeholders are made available on the Plan website four times per year.*
- *The Commission's governance manual, a summary of its strategic business plan, and Governance Self-Assessment Questionnaire are made available on the Plan website.*
- *The annual report is published to the Plan website.*

# Governance Leadership

The Commission strives to demonstrate leading practices in pension plan governance.

## ***The Commission's objectives:***

- the Plan's business model, including roles and responsibilities of both the Commission and the contracted service providers, is consistent with the Plan's strategy and operations;
- continuous improvement in the Commission's oversight of the Plan; and
- organizations that appoint people to the Commission understand the Commission's needs when making their appointments.

## ***Activities in 2021:***

- *The Commission evaluated the performance of all its service providers.*
- *The Commission approved amendments to its governance policies.*
- *The PEBA Joint Governance Committee, including representatives from the Commission met on January 26, 2021 and June 16, 2021.*

# Plan Integrity

The Commission is committed to achieving the needs of Plan members and employers through affordable, sustainable Plan benefits and services.

## ***The Commission's objectives:***

- assess, manage, and monitor risk in the context of the interdependence that exists between the Plan's assets and liabilities;
- preserve the accrued benefits for active and retired members and their beneficiaries; and
- provide sustainable benefits that are supported by the contributions required to meet the funding needs of the Plan.

## ***Activities in 2021:***

- *The Commission completed an in-depth review of the funding policy.*
- *The Commission approved nine private markets investments.*
- *The Commission reviewed its sustainability monitoring report.*
- *The Commission developed a new strategic business plan for 2021-2023.*

# Risk Management

# Risk Management Philosophy

Annually, the Commission will conduct a risk management review. This review is designed to identify potential events and trends that may positively or negatively affect the Commission's ability to achieve its strategic goals or maintain its operations. These events and trends are defined as risks.

The risk management process and review ensures that the Commission identifies and evaluates risks, ensures appropriate strategies are in place to manage these risks, and reviews the performance of the risk management strategies for the previous year.

The Risk Management Plan and its annual review ensure that a regular, documented process is in place for the management of the Plan's foreseeable risks. Documenting the rationale for arriving at decisions strengthens accountability and demonstrates due diligence.

The Commission is committed to creating and maintaining value for the stakeholders of the Plan. The Plan faces risks as the Commission fulfills this commitment. Therefore, the Commission is responsible for managing all foreseeable risks that could affect the operation of the Plan and its stakeholders. Through its risk management process, the Commission identifies, measures, monitors and manages these risks in a manner that is consistent with the Commission's governance model.

## Broad-based Risks

| Broad-based Risks | Definition of Risk  | Key Risks   |
|-------------------|---|---|
| Strategic Risk    | Encompasses the potential risks as they relate to communication and service delivery, plan design suitability, plan reputation, plan governance and accountability. | Uninformed decisions by members<br>Governance<br>Plan structure   |
| Financial Risk    | Relates to the investment, funding, and benefit policies, plan design costs, and demographic considerations.  | Investment structure<br>Employers withdrawing from the Plan<br>Risk of losses                                   |
| Regulatory Risk   | Is associated with non-compliance with legislation, fiduciary obligations and the legal requirements of pension plan management.                                    | Non-compliance  |
| Operational Risk  | Includes operational emergencies and non-compliance with governance policies.   | Performance by investment managers<br>PEBA as service provider<br>Other service providers<br>Adverse deviations |

Table 1.9



**The Commission developed and implemented these strategies and business practices to manage the identified risks:**

- The Commission consults with stakeholders periodically. A stakeholder consultation process provides employers and Plan members with the opportunity to consider the affordability of the benefits provided and the contributions needed to fund these benefits.
- The Commission regularly reviews plan design. A formal funding policy as part of the design enables the Commission to be proactive in managing the financial status of the Plan.
- The Commission is committed to communication that informs members and employers on the Plan.
- The Commission's administrator provides retirement information seminars and individual information to Plan members.
- Information tools include: member and employer seminars, employer bulletins and guides, written materials, focus groups and online resources such as the Plan website, social media, videos, webinars, surveys, PLANet, and the MORE retirement calculator.
- The Commission receives regular reports on administrative activities, including service standards, and key performance indicators.
- The Periodic Checklist is a list of major items identified by the Commission that are necessary for the administration of a pension plan. The checklist allows verification that an activity has been carried out. The completed Periodic Checklist is provided to the Commission on a semi-annual basis.
- The Commission strives to demonstrate leading practices in pension plan governance. This includes regular review of its Governance Manual to ensure it is comprehensive and effective.
- The Commission formally reviews its Strategic Business Plan annually.
- The Commission has an Acquisition and Retention of Services policy that details how the Commission is to retain and evaluate service providers. The Commission retains service providers who are experts in the responsibilities to which they are assigned with respect to the Plan.
- The Commission evaluates the performance of the executive management services provided by its administrator, strategic investment consultant, private markets consultant, actuary, investment managers, custodian, and auditor at least annually unless the Commission is transitioning to a new service provider or the current service provider has provided an insufficient length of service to evaluate.
- The Commission has a Statement of Investment Policies & Procedures that outlines the Commission's investment beliefs and provides for risk management through diversification of asset classes, capital markets and investment managers.
- The SIP&P defines the benchmark to which investment performance is measured. The Commission annually reviews the SIP&P and communicates investment performance.
- The Commission ensures initiatives and Plan-related activities are adequately funded through its budgeting process.
- The Commission's administrator has internal controls in place which are reported on annually by the Office of the Provincial Auditor of Saskatchewan.
- Commission members are required to review and sign the Commission's Code of Conduct and Conflict of Interest Procedures annually.
- The Commission requires that service providers confirm that they maintain business continuity plans and adhere to a code of conduct.
- In order to identify and mitigate risks that affect the Plan, the Commission undertakes an annual risk management process.
- The Commission consults with legal counsel and other expert advisors regarding issues on which it is deliberating.
- On a periodic basis, the Commission reviews existing products, services and practices the Plan offers to its members.

## Activities Completed

The following risk management activities were completed in 2021:

- Members were surveyed via follow-up email to collect feedback regarding satisfaction with the service provided by Plan staff.
- The biennial member survey was conducted in late 2021.
- In September 2021, the Commission approved a new engagement strategy for 2021-2024.
- The Commission ensured that members had access to information regarding their pensions and adjusted interactions as necessary to comply with provincial COVID-19 guidelines.
- The Commission reviewed the activities undertaken as part of its 2020 Risk Management Plan, and approved its Risk Management Plan for 2021.
- The Commission reviewed and amended its Governance Manual and completed an in-depth review of its Funding Policy in 2021.
- Within regular meetings, the Commission received education on actuarial basics, board culture, defined benefits themes and trends, responsible investments, and investment trends.

Investments

## Investment Consultant

The Plan's Strategic Investment Consultant is Aon. In 2021, Aon provided strategic investment guidance and education to the Commission.

PEBA's General Investment Consultant is Mercer. In 2021, Mercer collaborated with PEBA and provided regular investment consulting services on the Plan's equity and fixed income managers, including performance monitoring, as outlined in Table 1.10.

PEBA's Private Markets Consultant is Hamilton Lane. In 2021, Hamilton Lane and PEBA worked together to continue to build out the Plan's private markets program by making commitments to new private equity and infrastructure funds. Hamilton Lane also assisted PEBA in providing regular investment consulting services on the Plan's private equity and infrastructure managers, as outlined in Table 1.10.

## Investment Managers

The Commission delegates responsibility for investing the Fund assets to professional investment managers. Each manager invests within a specific mandate, as outlined in Table 1.10.

## Investment Policy

The investment policy is set out in the SIP&P, which the Commission reviews annually.

The SIP&P contains guidelines for the investment of Plan assets, and includes:

- investment and risk philosophy;
- asset mix and diversification policy, including portfolio return expectations;
- benchmarks for each investment manager and for the Fund;
- permitted investments and quality guidelines;
- monitoring and control responsibilities, including performance targets;
- compliance reporting and monitoring requirements; and
- conflict of interest guidelines.

## Trustees

As trustees, the Commission is responsible for prudently investing the Fund's assets.

## Custodian

The Commission retains CIBC Mellon as the custodian of the Plan. The custodian is responsible for:

- safekeeping of assets;
- collection of income;
- settlement of investment transactions; and
- recording and verifying investment transactions.

CIBC Mellon received \$655,000 in custodial fees in 2021. (Table 1.7)

# Assets by Investment Managers

|              |  |
|--------------|--|
| <b>13.4%</b> | BlackRock Asset Management Canada Ltd.   |
| <b>9.3%</b>  | Canso Investment Council Ltd.            |
| <b>8.3%</b>  | PIMCO Canada Corp.                       |
| <b>8.1%</b>  | Private Equity (Various)                 |
| <b>7.5%</b>  | Pzena Institutional Management           |
| <b>6.7%</b>  | Infrastructure (Various)                 |
| <b>6.2%</b>  | Robeco Institutional Asset Management    |
| <b>6.1%</b>  | Vontobel Asset Management Inc.           |
| <b>5.7%</b>  | Morgan Stanley Investment Management     |
| <b>5.7%</b>  | Foyston, Gordon & Payne Ltd.             |
| <b>5.6%</b>  | Neuberger Berman Investment Advisors LLC |
| <b>5.1%</b>  | TD Asset Management Inc.                 |
| <b>4.9%</b>  | Fidelity Investments Canada ULC          |
| <b>2.6%</b>  | Cash & Misc.                             |
| <b>2.4%</b>  | Snyder Capital Management, LP            |
| <b>2.3%</b>  | Oberweis Asset Management, Inc.          |

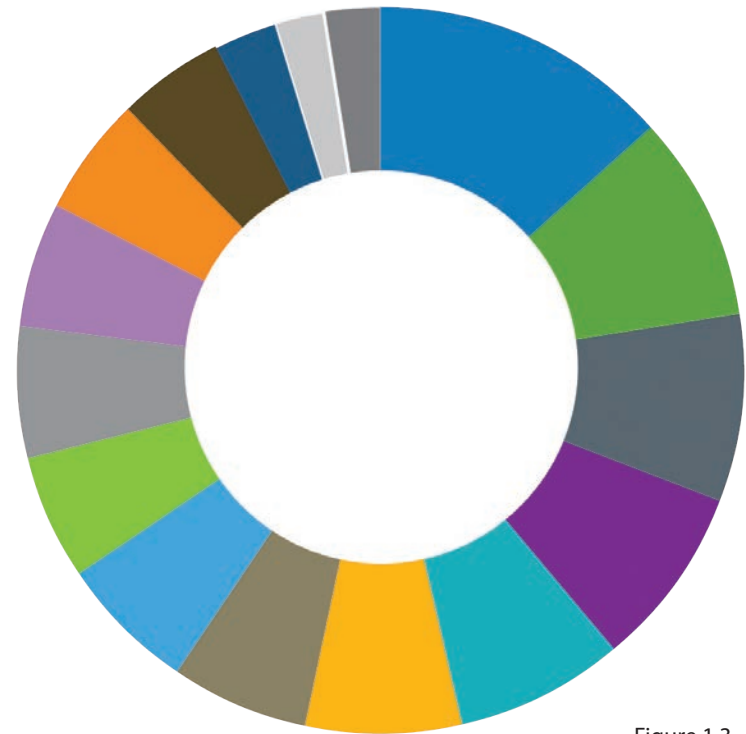


Figure 1.3

| Investment Manager                               | Mandate                   | Investment Manager                   | Mandate        |
|--|---------------------------|--------------------------------------|----------------|
| BlackRock Asset Management Canada Ltd.           | Long Bonds Plus           | Northleaf Capital Partners           | Infrastructure |
| Canso Investment Council Ltd.                    | Corporate Bonds           | Starwood Energy Group                | Infrastructure |
| PIMCO Canada Corp.                               | Core Plus Bonds           | Stonepeak Associates, LLC            | Infrastructure |
| Fidelity Investments Canada ULC                  | Canadian Equities         | CD&R Associates, L.P                 | Private Equity |
| Foyston, Gordon & Payne Inc.                     | Canadian Equities         | Falcon Investment Advisors, LLC      | Private Equity |
| BlackRock Asset Management Canada Ltd.           | U.S. Equities             | FSN Capital Partners AS              | Private Equity |
| Oberweis Asset Management                        | EAFE Small Cap Equities   | General Catalyst Partners            | Private Equity |
| Morgan Stanley Investment Management             | Global Equities           | Genstar Capital Partners LLC         | Private Equity |
| Pzena Institutional Management                   | Global Equities           | Great Hill Partners                  | Private Equity |
| Robeco Institutional Asset Management            | Global Equities           | Harvest Partners, LP                 | Private Equity |
| Vontobel Asset Management, Inc.                  | Global Equities           | H.I.G. Advantage Advisors, LLC       | Private Equity |
| Neuberger Berman Investment Advisors LLC         | Emerging Markets Equities | Insight XII (USD)                    | Private Equity |
| Snyder Capital Management, LP                    | U.S. Small Cap Equities   | K1 Investment Management, LLC        | Private Equity |
| Insight Investment Management Ltd.               | Currency                  | Lexington Partners L.P.              | Private Equity |
| TD Asset Management Inc.                         | Canadian Real Estate      | Lovell Minnick Equity Partners L.P.  | Private Equity |
| Antin Infrastructure Partners                    | Infrastructure            | Neuberger Berman Group LLC           | Private Equity |
| Arroyo Energy Group                              | Infrastructure            | New Mountain Capital LLC             | Private Equity |
| DIF  | Infrastructure            | Silver Lake Management LLC           | Private Equity |
| Global Infrastructure Partners Fund              | Infrastructure            | Stirling Square Capital Partners LLP | Private Equity |
| I Squared Capital                                | Infrastructure            | Technology Crossover Ventures        | Private Equity |
| KKR Global Infrastructure Investors L.P.         | Infrastructure            | Thompson Street Capital Manager LLC  | Private Equity |
| Macquarie Asia Infrastructure Management Limited | Infrastructure            | Vista Equity Partners                | Private Equity |

Table 1.10

# Investment Objectives

The Fund’s primary objective is to grow at a rate which exceeds the growth of the Plan’s liabilities.

To achieve its goal, the Commission has established:

- a long-term strategic asset mix that is reflected by the Plan’s benchmark (a standard against which performance is measured);
- an investment management structure consisting of one or more investment managers in each major asset class; and
- a liability benchmark to approximate the growth of the Plan’s going-concern pension liabilities.

## Fees for Investment Management

# \$40,877,000

|  |              |
|--|--------------|
| Investment Managers                    | \$15,477,000 |
| Investment Management Performance Fees | 24,855,000   |
| Investment Consultant                  | 545,000      |

Table 1.11

# MEPP Asset Mix

- 30.4%** Foreign Large Cap Equities
- 28.7%** Fixed Income and Cash
- 10.6%** Canadian Equities
- 8.1%** Private Equity
- 6.7%** Infrastructure
- 5.6%** Emerging Markets Equities
- 5.1%** Real Estate
- 4.8%** Foreign Small Cap Equities

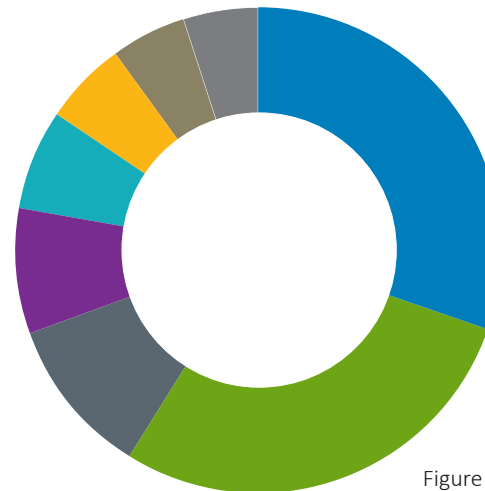


Figure 1.4

## Performance by Asset Class

| Asset Class                | One-year Return<br>Net as at December 31, 2021 | One-year Benchmark |
|----------------------------|--|--------------------|
| Fixed Income               | -1.6%  | -2.8%              |
| Canadian Equities          | 30.2%  | 25.1%              |
| Foreign Large Cap Equities | 14.7%  | 20.2%              |
| Foreign Small Cap Equities | 7.4%   | 12.3%              |
| Emerging Market Equities   | -4.2%  | -3.1%              |
| Real Estate                | 14.1%  | 4.8%               |
| Infrastructure*            | 10.0%  | 9.4%               |
| Private Equity*            | 48.4%  | 25.7%              |

Table 1.12

\* asset classes report performance on a lagging quarter basis; performance is net returns as of September 2021.

| Asset Class                | Four-year Return<br>Net as at December 31, 2021 | Four-year Benchmark |
|----------------------------|---|---------------------|
| Fixed Income               | 5.1%  | 4.2%                |
| Canadian Equities          | 8.3%  | 10.3%               |
| Foreign Large Cap Equities | 13.0%   | 13.4%               |
| Foreign Small Cap Equities | 17.8%   | 11.0%               |
| Emerging Market Equities   | n/a   | n/a                 |
| Real Estate                | 6.9%  | 3.6%                |
| Infrastructure*            | 10.9%   | 7.2%                |
| Private Equity*            | 28.0%   | 19.5%               |

Table 1.13

\* asset classes report performance on a lagging quarter basis; performance is net returns as of September 2021.

### Foreign Currency Investment Manager

In 2021, this strategy had an impact of +1.5 per cent on foreign equities exposure, consistent with its benchmark.

Overall, the fund  
outperformed the  
benchmark on a one-year  
and four-year basis.

The total one-year return outperformed by 2.3 per cent.

The total four-year return outperformed by 1.4 per cent.



# Management's Report

To the Members of the Legislative Assembly of Saskatchewan:

Administration of MEPP is presently assigned to PEBA of the Ministry of Finance. Management is responsible for financial administration, administration of funds and managing of assets.

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

The Commission reviews and approves the financial statements. In doing so, the Commission has had the opportunity to discuss the statements with management throughout the year.

The provision for annuity benefits and the accrued pension benefits are determined by an actuarial valuation. Actuarial valuation reports require best estimate assumptions about future events and require approval by management.

The financial statements have been audited by KPMG whose report follows.



A handwritten signature in black ink that reads "J. Phillips".

Jeremy Phillips  
A/Assistant Deputy Minister  
Public Employees Benefits Agency

Regina, Saskatchewan  
March 18, 2022

# Actuarial Opinion



400 - 411 Dunsmuir Street,  
Vancouver, BC, V6B 1X4

## Actuarial Opinion

This opinion is given with respect to the Municipal Employees' Pension Plan (the "Plan").

We performed a valuation based on the Plan provisions and assumptions as at December 31, 2021. The membership data was determined as at December 31, 2020. The valuation was prepared to provide the 2021 year-end information to be disclosed in the Plan's financial statements and the actuarial opinion required by the auditor in accordance with Section 4600 of the *Chartered Professional Accountants Canada Handbook – Accounting* ("CPA 4600").

In our opinion, for the purposes of this actuarial valuation:

- The membership data on which the valuation is based is sufficient and reliable for the purposes of the valuation.
- The assumptions are appropriate for the purposes of the valuation.
- The calculations have been made in accordance with our understanding of the requirements of CPA 4600.

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

Actuarial valuation results are only estimates. Actuarial valuations are performed based on assumptions and methods that are in accordance with sound actuarial principles. Emerging experience differing from these assumptions may result in gains or losses. These gains or losses will be revealed in future actuarial valuations.

A handwritten signature in black ink, appearing to read "Douglas J. Stafford".

Douglas J. Stafford  
*Fellow, Canadian Institute of Actuaries*

LifeWorks

February 7, 2022

A handwritten signature in blue ink, appearing to read "Henry Yuen".

Henry Yuen  
*Fellow, Canadian Institute of Actuaries*

LifeWorks

# Financial Statements

Year ended December 31, 2021



KPMG LLP  
 Hill Centre Tower II  
 1881 Scarth Street, 20th Floor  
 Regina SK S4P 4K9  
 Canada  
 Tel 306-791-1200  
 Fax 306-757-4703

### INDEPENDENT AUDITORS' REPORT

To the Members of the Legislative Assembly, Province of Saskatchewan

#### *Opinion*

We have audited the financial statements of the Municipal Employees' Pension Plan (the Plan), which comprise:

- the statement of financial position as at December 31, 2021
- the statement of changes in net assets available for benefits for the year then ended
- the statement of changes in pension obligations and provision for annuity obligations for the year then ended
- and notes to the financial statements, including a summary of significant 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 31, 2021, and its changes in net assets available for benefits and its changes in pension obligations and provision for annuity obligations for the year 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 "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' 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.

#### *Other Information*

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

- the 2021 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.



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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 auditors' report thereon, included in the 2021 Annual Report document as at the date of this auditors' 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 auditors' 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.

*Auditors' 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 auditors' 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.



Page 3

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 auditors' 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 auditors' report. However, future events or conditions may cause the Plan's 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.
- 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'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants

Regina, Canada

March 18, 2022

## Municipal Employees' Pension Plan Statement of Financial Position

### Statement 1

| As at December 31  | (in thousands)     |                                 |              | 2020<br>Total |
|--|--------------------|---------------------------------|--------------|---------------|
|  | Defined<br>Benefit | 2021<br>Retirement<br>Annuities | Total        |               |
| <b>ASSETS</b>  |                    |                                 |              |               |
| Investments (Note 4)                                       | \$ 3,319,433       | \$ 15,657                       | \$ 3,335,090 | \$ 2,997,106  |
| Investments under securities lending program (Note 4)      | 83,592             | 395                             | 83,987       | 62,738        |
|  | 3,403,025          | 16,052                          | 3,419,077    | 3,059,844     |
| Accounts receivable  |                    |                                 |              |               |
| Employees' contributions                                   | 2,637              | -                               | 2,637        | 2,688         |
| Employers' contributions                                   | 2,636              | -                               | 2,636        | 2,619         |
| Accrued investment income                                  | 6,367              | 30                              | 6,397        | 6,413         |
| Investment receivables                                     | 1,605              | 8                               | 1,613        | 4,224         |
| Other receivables  | 369                | 2                               | 371          | 106           |
|  | 13,614             | 40                              | 13,654       | 16,050        |
| Due from General Revenue Fund (Note 6)                     | 8,794              | 41                              | 8,835        | 8,704         |
| Cash   | 126,238            | 596                             | 126,834      | 136,828       |
| Total assets   | 3,551,671          | 16,729                          | 3,568,400    | 3,221,426     |
| <b>LIABILITIES</b>   |                    |                                 |              |               |
| Accounts payable   | 8,484              | 39                              | 8,523        | 6,038         |
| Investment payables  | 2,076              | 10                              | 2,086        | 5,845         |
| Derivative liability (Note 5)                              | 3,784              | 18                              | 3,802        | -             |
| Provision for annuity obligations<br>(Statement 3, Note 9) | -                  | 10,099                          | 10,099       | 11,488        |
| Total liabilities  | 14,344             | 10,166                          | 24,510       | 23,371        |
| NET ASSETS AVAILABLE FOR BENEFITS (Statement 2)            | 3,537,327          | 6,563                           | 3,543,890    | 3,198,055     |
| Pension Obligations (Statement 3, Note 10)                 | 2,399,504          | -                               | 2,399,504    | 2,359,155     |
| SURPLUS  | \$ 1,137,823       | \$ 6,563                        | \$ 1,144,386 | \$ 838,900    |

(See accompanying notes to financial statements)

**Municipal Employees' Pension Plan**  
**Statement of Changes in Net Assets Available for Benefits**

**Statement 2**

| Year Ended December 31  | (in thousands)     |                                 |              | 2020<br>Total |
|---|--------------------|---------------------------------|--------------|---------------|
|   | Defined<br>Benefit | 2021<br>Retirement<br>Annuities | Total        |               |
| <b>INCREASE IN ASSETS</b>   |                    |                                 |              |               |
| Investment income (Note 4)  | \$ 86,922          | \$ 429                          | \$ 87,351    | \$ 107,267    |
| Security lending income   | 168                | 1                               | 169          | 118           |
|   | 87,090             | 430                             | 87,520       | 107,385       |
| Change in fair value of investments                                     | 325,884            | 1,607                           | 327,491      | 338,469       |
| Contributions   |                    |                                 |              |               |
| Employee contributions  | 59,390             | -                               | 59,390       | 57,325        |
| Employer contributions  | 59,396             | -                               | 59,396       | 57,231        |
| Reciprocal transfers in   | 1,811              | -                               | 1,811        | 1,012         |
| Arrears contributions and interest                                      | 13                 | -                               | 13           | 8             |
|   | 120,610            | -                               | 120,610      | 115,576       |
| Net decrease in provision for annuity benefits<br>(Statement 3, Note 9) | -                  | 1,389                           | 1,389        | 176           |
| Total increase in assets  | 533,584            | 3,426                           | 537,010      | 561,606       |
| <b>DECREASE IN ASSETS</b>   |                    |                                 |              |               |
| Transfers and refunds (Note 8)  | 38,194             | -                               | 38,194       | 37,866        |
| Benefit payments (Note 8)   | 8,362              | -                               | 8,362        | 6,797         |
| Pension obligation payments   | 90,452             | -                               | 90,452       | 85,296        |
| Annuities   | -                  | 1,675                           | 1,675        | 1,861         |
| Investment transaction costs  | 782                | 4                               | 786          | 110           |
| Administrative expenses (Note 12)                                       | 51,453             | 253                             | 51,706       | 34,658        |
| Total decrease in assets  | 189,243            | 1,932                           | 191,175      | 166,588       |
| INCREASE IN NET ASSETS  | 344,341            | 1,494                           | 345,835      | 395,018       |
| NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR                    | 3,192,986          | 5,069                           | 3,198,055    | 2,803,037     |
| NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR                          | \$ 3,537,327       | \$ 6,563                        | \$ 3,543,890 | \$ 3,198,055  |

(See accompanying notes to financial statements)



## Municipal Employees' Pension Plan Statement of Changes in Pension Obligations and Provision for Annuity Obligations

### Statement 3

| Year Ended December 31                                  | (in thousands) |              |
|---|----------------|--------------|
|   | 2021           | 2020         |
| PENSION OBLIGATIONS, BEGINNING OF YEAR                  | \$ 2,359,155   | \$ 2,144,569 |
| Increase in pension obligations                         |                |              |
| Interest on pension obligations                         | 129,140        | 123,662      |
| Pension obligations accrued                             | 112,900        | 104,033      |
| Transfers-in  | 1,811          | 1,012        |
| Experience loss   | -              | 14,086       |
| Change in assumptions                                   | -              | 101,752      |
| Ad-hoc pension increase (Note 1)                        | 15,769         | -            |
|   | 259,620        | 344,545      |
| Decrease in pension obligations                         |                |              |
| Transfers, refunds and defined pension obligations paid | 137,008        | 129,959      |
| Experience gain   | 10,047         | -            |
| Change in assumptions                                   | 72,216         | -            |
|   | 219,271        | 129,959      |
| PENSION OBLIGATIONS, END OF YEAR (Note 10)              | \$ 2,399,504   | \$ 2,359,155 |
| PROVISION FOR ANNUITY OBLIGATIONS, BEGINNING OF YEAR    | \$ 11,488      | \$ 11,664    |
| Increase in provision for annuity obligations           |                |              |
| Interest on annuity obligations                         | 586            | 623          |
| Experience loss   | -              | 314          |
| Change in assumptions                                   | -              | 748          |
|   | 586            | 1,685        |
| Decrease in provision for annuity obligations           |                |              |
| Annuities paid  | 1,675          | 1,861        |
| Experience gain   | 190            | -            |
| Change in assumptions                                   | 110            | -            |
|   | 1,975          | 1,861        |
| PROVISION FOR ANNUITY OBLIGATIONS, END OF YEAR (Note 9) | \$ 10,099      | \$ 11,488    |

(See accompanying notes to financial statements)

## Municipal Employees' Pension Plan Notes to the Financial Statements

December 31, 2021

### 1. Description of the Municipal Employees' Pension Plan

#### General

The Municipal Employees' Pension Plan (the Plan) which is domiciled in Regina, Saskatchewan, is comprised of three components: defined benefit, defined contribution benefit and retirement annuities. The following description of the Plan is a summary only. For more complete information, reference should be made to *The Municipal Employees' Pension Act* (the Act).

The Act provides authority for the Plan. The Act directs that all allowances, payments and refunds under the Act shall be payable out of the Plan in the manner provided in the Act together with all benefits granted under a former Act. The Municipal Employees' Pension Commission (the Commission) is responsible for holding in trust and investing the monies of the Plan. The Commission's composition and authority to administer the Plan are provided in Section 7 of the Act.

The Plan is registered under *The Pension Benefits Act, 1992* and is required to provide valuations every three years as to whether the Plan has sufficient assets to meet its pension obligations on an on-going basis as well as on a hypothetical wind-up basis. These valuations are filed with the Financial and Consumer Affairs Authority (FCAA). If the Plan has insufficient assets, the Act outlines the steps to address the shortfall of assets. The Commission filed its December 31, 2020 valuation with the FCAA. The Plan is required to file the next actuarial valuation no later than September 30, 2024.

#### Defined Benefit Component

The Defined Benefit Component became effective July 1, 1973. This Defined Benefit Component is mandatory for permanent employees and optional for some non-permanent employees.

##### A. Funding

Employee contributions were nine per cent of salary for general members and 12.50 per cent for emergency members (2020 - nine per cent and 12.50 per cent, respectively). Employee contributions are matched by the employer. There are some employee contributions that are not matched by employers, these contributions consist of transfers from other plans and purchase of prior services.

## 1. Description of the Municipal Employees' Pension Plan (continued)

### B. Pensions

Employees receive a pension at age 65 for general members and at age 60 for police officers and firefighters, for each year and fractional year of contributory service in the Plan prior to retirement that is determined as:

For members who commenced employment prior to January 1, 1993:

For service earned before 1990 and service earned after 2000 but before 2006, the number of years of contributory service during these periods' times the greater of:

- a) 1.8 per cent times the average salary for the highest three annualized years of the member's total pensionable service in the Plan (two per cent for police officers and firefighters); or
- b)
  - i) 1.3 per cent of that portion of the member's average salary not exceeding the average yearly maximum pensionable earnings under the Canada Pension Plan; and
  - ii) two per cent of that portion of the member's average salary exceeding the average yearly maximum pensionable earnings under the Canada Pension Plan.

For all other service, the number of years of contributory service for the period times the greater of:

- a) 1.5 per cent times the average salary for the highest three annualized years of the member's total pensionable service in the Plan (1.7 per cent for police officers and firefighters); or
- b)
  - i) 1.3 per cent of that portion of the member's average salary not exceeding the average yearly maximum pensionable earnings under the Canada Pension Plan; and
  - ii) two per cent of that portion of the member's average salary exceeding the average yearly maximum pensionable earnings under the Canada Pension Plan.

For members who commenced employment on or after January 1, 1993:

For service earned after 2000 but before 2006, the number of years of contributory service during this period times 1.8 per cent times the average salary for the highest three annualized years of the member's total pensionable service in the Plan (2.0 per cent for police officers and firefighters).

For all other service, the number of years of contributory service for the period times 1.5 per cent times the average salary for the highest three annualized years of the member's total pensionable service in the Plan (1.7 per cent for police officers and firefighters).

## 1. Description of the Municipal Employees' Pension Plan (continued)

### C. Retirement

Normal retirement is at age 65 for general members and age 60 for police officers and firefighters. Members may retire earlier under certain conditions. In the event a member dies prior to retiring and does not have a spouse, the Plan provides a death benefit to any beneficiaries equal to the commuted value of a pension had it become payable on the date of death. If the member has a spouse, the spouse can receive the commuted value, transfer it to RRSPs or start an immediate pension. If a member dies after retirement, the benefit depends on the option chosen at the time of retirement.

The Plan also provides benefits in the event of termination of employment, death or disability.

### D. Surplus

Any surpluses arising in the Plan can be utilized at the discretion of the Commission.

### E. Transfers

Subject to lock in provisions of the Plan, transfer of a member's commuted value is payable when a member ceases to be employed as long as they are not eligible to retire.

The December 31, 2020 actuarial valuation contained a solvency ratio of 95.2 per cent which limited certain types of commuted value transfer payments to 95.2 per cent of the commuted value. The balance of the commuted value is due no later than five years after the initial payment.

## Defined Contribution Component

The Defined Contribution Component consists of members who made contributions to the Defined Contribution Component in effect prior to July 1, 1973. Members may retire and purchase an annuity at age 65. Members may retire earlier under certain conditions. Upon retirement a member can purchase an annuity from a private insurer based on employee and employer contributions together with the interest thereon. In the event of death prior to retirement, the member's spouse may receive a life annuity or elect to receive a lump-sum payment of employee and employer contributions plus interest. If the member's beneficiary is other than the spouse, a lump-sum payment of employee and employer contributions plus interest is made.

## Retirement Annuities Component

The present value of these annuities are reflected as a liability of the Plan.

## 1. Description of the Municipal Employees' Pension Plan (continued)

### Supplementary Benefits

In accordance with the Act, the Commission may grant supplementary benefits to those members receiving pensions and annuities to compensate them for lost purchasing power. The Commission may grant the supplementary benefits as long as the solvency of the entire Plan is not impaired. The December 31, 2020 actuarial valuation contained a solvency ratio of 95.2 per cent. In September 2021, the Commission approved providing an increase to pensions in pay of 1.57 per cent effective January 1, 2022 based on the 12-month average CPI ending in July 2021.

### Income Taxes

The Plan is a registered pension plan, as defined by the *Income Tax Act* (Canada) and, accordingly, is not subject to income taxes.

## 2. Basis of Preparation

### a. Statement of Compliance

The financial statements for the year ended December 31, 2021 have been prepared in accordance with Canadian accounting standards for pension plans as defined in the CPA Canada Handbook section 4600, *Pension Plans*. For matters not addressed in Section 4600, International Financial Reporting Standards (IFRSs) have been followed.

### b. 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.

### c. Basis of Measurement

These financial statements have been prepared using the historical cost basis except for the following:

- investments, which are measured at fair value; and
- pension obligations and provision for annuity obligations, which are measured at the present value of their respective accrued benefit obligations.

The fair values of investments are considered to be market value with all gains and losses being recognized through change in fair value. The calculation of fair value is detailed in Note 4.

### 3. Significant Accounting Policies

The significant accounting policies are as follows:

#### a. Basis of Presentation

The Plan has disclosed financial results for its Defined Benefit and Retirement Annuities components separately. The Plan maintains a single investment portfolio and assets were allocated to the retirement annuities component at January 1, 2002 based upon the provision for annuity obligations as at that date. Investment income is split so that it matches the rate of return and operating expenses and the change in fair value have been allocated relative to the assets. These financial statements were authorized and issued by the Commission on March 18, 2022.

#### b. Investments

Investments are stated at their fair value in the Statement of Financial Position. 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.

Fair value of investments is determined as follows:

Short-term investments are valued at cost which, together with accrued investment income, approximates fair value given the short-term nature of these investments.

Bonds are valued at year-end quoted market prices in an active market when available. When quoted market prices are not available, the fair value is based on a valuation technique, being the present value of the principal and interest receivable discounted at the appropriate market interest rates.

Equities are valued at year-end quoted market prices from accredited stock exchanges on which the security is principally traded.

### 3. Significant Accounting Policies (continued)

Private equity investments are valued at market values supplied by the private equity investment manager. These market values are based on the latest available private equity manager capital account statements and are adjusted for subsequent cash flows and changes in exchange rates for investments outside Canada.

Infrastructure investments are valued at market values supplied by the infrastructure investment manager. These market values are based on the latest available infrastructure manager capital account statements and are adjusted for subsequent cash flows and changes in exchange rates for investments outside Canada.

Pooled-fund investments are valued at the year-end unit value supplied by the pooled-fund administrator, which represent the underlying net assets of the pooled fund at fair values determined using closing bid prices. Real estate pooled-fund underlying assets are valued by third-party appraisals.

Investments in derivative financial instruments, including forwards are valued at year-end quoted market prices where available. Where quoted market prices are not available, values are determined using pricing models, which take into account current market and contractual prices of the underlying instruments, as well as time value and yield curve or volatility factors underlying the position.

Investment transactions are recorded on the trade date.

#### c. Other Financial Instruments

Accounts receivable, due from General Revenue Fund and accounts payable are classified and measured at amortized cost. Due to their short-term nature, the amortized cost of these instruments approximates their fair value.

#### d. Investment Income and Transaction Costs

Investment income, which is recorded on the accrual basis, includes interest income, dividends, pooled-fund income, infrastructure income, private equity income, and security lending income.

Brokers' commissions and other transaction costs are recognized in the Statement of Changes in Net Assets Available for Benefits in the period incurred.

#### e. Foreign Currency Translation

The fair values of foreign currency denominated investments included in the Statement of Financial Position are translated into Canadian dollars at year-end rates of exchange. Gains and losses from translations are included in the change in fair value of investments.

Foreign currency-denominated transactions are translated into Canadian dollars at the rates of exchange on the trade dates of the related transactions. Realized gains and losses on the sale of investments are included in the change in fair value of investments.

### 3. Significant Accounting Policies (continued)

#### f. Provision for Annuity Obligations

Provision for annuity obligations represents the present value of the retirement annuities underwritten by the Plan and is determined pursuant to an actuarial valuation or extrapolation. Any change in the liability pursuant to the valuation or extrapolation is recognized as an increase or decrease in that year's Statement of Changes in Pension Obligations and Provision for Annuity Obligations.

#### g. Pension Obligations

Pension obligations represents the present value of the obligations for the Defined Benefit Component of the Plan. The pension obligation is determined pursuant to an actuarial valuation or extrapolation. Any change in the liability pursuant to the valuation or extrapolation is recognized as an increase or decrease in that year's Statement of Changes in Pension Obligations and Provision for Annuity Obligations.

#### h. 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 recorded amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the recorded amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the valuation of investments, and the provision for annuity obligations and pension obligations. Actual results could differ from these estimates.



#### 4. Investments

Details of significant terms and conditions, exposure to interest rate and credit risks of investments are as follows:

##### Investments

The carrying values of the Plan's investments are as follows:

|   | (in thousands)      |                         |                     |                     |                         |                     |
|---|---------------------|-------------------------|---------------------|---------------------|-------------------------|---------------------|
|   | 2021                |                         |                     | 2020                |                         |                     |
|   | Defined<br>Benefit  | Retirement<br>Annuities | Total               | Defined<br>Benefit  | Retirement<br>Annuities | Total               |
| <b>Investments</b>  |                     |                         |                     |                     |                         |                     |
| Short-term  | \$ 760              | \$ 3                    | \$ 763              | \$ 9,680            | \$ 50                   | \$ 9,730            |
| Bonds   | 324,045             | 1,528                   | 325,573             | 310,334             | 1,612                   | 311,946             |
| Equities  | 1,513,016           | 7,137                   | 1,520,153           | 1,351,716           | 7,020                   | 1,358,736           |
| Private equity  | 285,054             | 1,345                   | 286,399             | 217,142             | 1,128                   | 218,270             |
| Infrastructure  | 238,364             | 1,124                   | 239,488             | 223,664             | 1,162                   | 224,826             |
| Pooled funds  | 958,194             | 4,520                   | 962,714             | 869,084             | 4,514                   | 873,598             |
|   | <u>3,319,433</u>    | <u>15,657</u>           | <u>3,335,090</u>    | <u>2,981,620</u>    | <u>15,486</u>           | <u>2,997,106</u>    |
| <b>Investments<br/>under securities<br/>lending program</b> |                     |                         |                     |                     |                         |                     |
| Bonds   | -                   | -                       | -                   | 126                 | -                       | 126                 |
| Equities  | 83,592              | 395                     | 83,987              | 62,288              | 324                     | 62,612              |
|   | <u>83,592</u>       | <u>395</u>              | <u>83,987</u>       | <u>62,414</u>       | <u>324</u>              | <u>62,738</u>       |
|   | <u>\$ 3,403,025</u> | <u>\$ 16,052</u>        | <u>\$ 3,419,077</u> | <u>\$ 3,044,034</u> | <u>\$ 15,810</u>        | <u>\$ 3,059,844</u> |

#### 4. Investments (continued)

The Plan's investment income is comprised of the following:

|                          | (in thousands)   |                      |                  |                   |                      |                   |
|--------------------------|------------------|----------------------|------------------|-------------------|----------------------|-------------------|
|                          | 2021             |                      |                  | 2020              |                      |                   |
|                          | Defined Benefit  | Retirement Annuities | Total            | Defined Benefit   | Retirement Annuities | Total             |
| <b>Investment income</b> |                  |                      |                  |                   |                      |                   |
| Interest                 | \$ 11,190        | \$ 55                | \$ 11,245        | \$ 10,982         | \$ 60                | \$ 11,042         |
| Pooled funds             | 31,915           | 158                  | 32,073           | 37,927            | 207                  | 38,134            |
| Dividends                | 26,550           | 131                  | 26,681           | 24,153            | 132                  | 24,285            |
| Infrastructure           | 12,105           | 60                   | 12,165           | 26,639            | 146                  | 26,785            |
| Private equity           | 2,326            | 11                   | 2,337            | 6,537             | 36                   | 6,573             |
| Other                    | 2,836            | 14                   | 2,850            | 446               | 2                    | 448               |
|                          | <u>\$ 86,922</u> | <u>\$ 429</u>        | <u>\$ 87,351</u> | <u>\$ 106,684</u> | <u>\$ 583</u>        | <u>\$ 107,267</u> |

#### Security Lending Program

Through its custodian, the Plan participates in an investment security lending program for the purpose of generating fee income. Non-cash collateral of at least 102 per cent of the market value of the loaned securities is retained by the Plan until the loaned securities have been returned (see Securities lending in Note 11). The market value of the loaned securities is monitored on a daily basis with additional collateral obtained or refunded as the market value of the loaned securities fluctuates. In addition, the custodian provides indemnification against any potential losses in the securities lending program. While in the possession of counterparties, the loaned securities may be resold or re-pledged by such counterparties.

#### Short-Term Investments

Short-term investments are comprised of treasury bills. The cash equivalent component of short-term investments held as of December 31, 2021 had an effective interest rate of 0.3 per cent (2020 – 0.2 per cent) and an average term to maturity of 118 days (2020 – 172 days). The Plan's investment policy states that investments must meet a minimum investment standard of "A2/P2" or equivalent rating as rated by a recognized bond rating service which the Plan is in compliance with. At December 31, 2021, 100 per cent of the Plan's short-term investment were held with the Government of Canada (2020 – 100 per cent).

Forward contracts are included in short-term investments when they are in a net gain position and included in derivative liability when they are in a net loss position. The foreign exchange forward contracts are discussed further in Note 5.

#### 4. Investments (continued)

##### Bonds

The Plan's investment policy states that bonds must meet a minimum quality standard of BBB as rated by a recognized bond rating service unless otherwise permitted within a specific investment manager mandate. In addition, not more than 10 per cent of its total bond market value may be invested in lower than BBB rated bonds. In 2020 and 2021, there were no segregated bonds lower than BBB Bonds.

The market value, coupon rates and effective interest rate to maturity are shown in the following chart by contractual maturity. Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

| 2021 (in thousands) |                    |                 |                   |                    |               |                         |  |
|---------------------|--------------------|-----------------|-------------------|--------------------|---------------|-------------------------|--|
| Years to Maturity   | Foreign Government | Municipal       | Corporate         | Total Market Value | Coupon Rate   | Effective Interest Rate |  |
| Under 5             | \$ -               | \$ -            | \$ 83,239         | \$ 83,239          | 0.00% - 8.85% | 2.02%                   |  |
| 5 to 10             | 1,178              | -               | 86,769            | 87,947             | 0.00% - 7.90% | 3.03%                   |  |
| Over 10             | -                  | 1,011           | 153,376           | 154,387            | 0.00% - 7.13% | 4.17%                   |  |
| <b>Market Value</b> | <b>\$ 1,178</b>    | <b>\$ 1,011</b> | <b>\$ 323,384</b> | <b>\$ 325,573</b>  |               |                         |  |

| 2020 (in thousands) |                    |                 |                   |                    |               |                         |  |
|---------------------|--------------------|-----------------|-------------------|--------------------|---------------|-------------------------|--|
| Years to Maturity   | Foreign Government | Municipal       | Corporate         | Total Market Value | Coupon Rate   | Effective Interest Rate |  |
| Under 5             | \$ -               | \$ -            | \$ 112,857        | \$ 112,857         | 0.00% - 8.85% | 2.52%                   |  |
| 5 to 10             | 1,251              | -               | 71,706            | 72,957             | 0.00% - 8.29% | 4.29%                   |  |
| Over 10             | -                  | 1,123           | 125,135           | 126,258            | 0.00% - 7.13% | 4.05%                   |  |
| <b>Market Value</b> | <b>\$ 1,251</b>    | <b>\$ 1,123</b> | <b>\$ 309,698</b> | <b>\$ 312,072</b>  |               |                         |  |

All foreign bonds are reported in Canadian dollars.

#### 4. Investments (continued)

##### Equities

The Plan's investment policy states that an investment in a single corporation shall not exceed 10 per cent of the total market value of the Plan assets at time of purchase.

In addition, the investment policy allows between 16 per cent and 48 per cent of the Plan to be invested in foreign public equities, including those held in pooled funds. As at December 31, 2021 the Plan held 35.21 per cent (2020 – 36.56 per cent) of the Plan's total investments in segregated foreign equities and 5.42 per cent (2020 – 4.82 per cent) of the Plan's total investments in pooled foreign equity funds. Segregated foreign equities are comprised of 62.07 per cent (2020 – 60.02 per cent) in U.S. equities and 37.93 per cent (2020 – 39.98 per cent) in Non-North American equities.

The Plan's equities have no fixed maturity date and are not exposed directly to interest rate risk. The average effective dividend rate is 1.76 per cent (2020 – 1.93 per cent).

##### Private Equities

Private equity investments are made through limited partnership arrangements. The investments represent partial equity ownership in entities that are not traded and priced in stock exchanges. Future commitments are due on demand and are based on the needs of the various partnerships the Plan has entered into. Liquidity requirements of meeting the future commitments are met through income generated from investments, holdings in pooled funds and investments in liquid assets traded on an active market which can be easily sold and converted into cash.

Private equity managers form limited partnerships to facilitate investments in private companies in various markets across the globe. As at December 31, 2021 the Plan was committed to further investment in private equity limited partnerships up to \$120.0 million in Canadian funds (2020 - \$125.8 million).

The Plan's investment policy limits private equity investments from a minimum of one per cent to a maximum of 10 per cent of the Plan's assets. As of December 31, 2021, the Plan's private equity investments were 8.38 per cent (2020 – 7.13 per cent) of the Plan investments.

Private equity managers utilize an internal valuation policy to establish a market value for the underlying assets within their portfolios. This policy outlines that any marketable assets within the portfolio will be valued at the price on the relevant securities exchange. Non-marketable securities will be subject to professional judgment and may take into account several factors such as:

- market conditions;
- purchase price;
- estimated liquidation value;
- third-party transactions in the private market;
- present value of expected future cash flows; and/or
- present value of anticipated sale or flotation when asset is soon to be divested.

#### 4. Investments (continued)

The factors on the preceding page involve various assumptions. Changes in the underlying assumptions will have an impact on the market value of the investments.

##### Infrastructure Investments

Infrastructure investments are made through limited partnership arrangements. Advances are made to the limited partnerships, some of which are used to select and provide management support to the invested companies. The investments represent ownership in entities that invest in infrastructure assets. Future commitments are due on demand and are based on the needs of the various partnerships the Plan has entered into. Liquidity requirements of meeting the future commitments are met through income generated from investments, holdings in pooled funds and investments in liquid assets traded on an active market which can be easily sold and converted into cash.

Infrastructure managers form limited partnerships to facilitate investments in infrastructure projects in various markets across the globe. As at December 31, 2021 the Plan was committed to further investment in infrastructure limited partnerships up to \$169.8 million in Canadian funds (2020 - \$120.5 million).

The Plan's investment policy limits infrastructure investments from a minimum of five per cent to a maximum of 23 per cent of the Plan's assets. As of December 31, 2021, the Plan's infrastructure investments were 7.00 per cent (2020 – 7.35 per cent) of the Plan investments.

Infrastructure managers utilize an internal valuation policy to establish a market value for the underlying assets within their portfolios. This policy outlines that any marketable assets within the portfolio will be valued at the price on the relevant securities exchange. Non-marketable securities will be subject to professional judgment and may take into account several factors such as:

- market conditions;
- purchase price;
- estimated liquidation value;
- third-party transactions in the private market;
- present value of expected future cash flows; and/or
- present value of anticipated sale or flotation when asset is soon to be divested.

The factors involve various assumptions. Changes in the underlying assumptions will have an impact on the market value of the investments.

**4. Investments (continued)****Pooled Funds**

The Plan's investment policy limits pooled fund holdings to not more than 10 per cent of the market value of the individual pooled fund. Exceptions to the 10 per cent limit are allowed if provision has been made to transfer securities in kind when units of the pooled fund are sold with the exception of real estate. At December 31, 2021, there were provisions in place for all the Plan's pooled funds.

The Plan's pooled funds are comprised of:

| <b>Pooled Fund</b>        | <b>Market Value</b>   |                   |
|---------------------------|-----------------------|-------------------|
|                           | <b>(in thousands)</b> |                   |
|                           | <b>2021</b>           | <b>2020</b>       |
| U.S. Equity Fund          | \$ 175,061            | \$ 137,263        |
| Non-North American Equity | 10,383                | 10,164            |
| Bonds                     | 594,406               | 566,623           |
| Real Estate               | 182,864               | 159,548           |
|                           | <b>\$ 962,714</b>     | <b>\$ 873,598</b> |

#### 4. Investments (continued)

##### Fair Value

The Plan has classified its investments using a hierarchy that reflects the significance of the inputs used in determining their fair value.

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 values using inputs that are not based on observable market data are classified as Level 3.

The following table classifies the Plan's required financial instruments within a fair value hierarchy:

| <b>2021</b>                   |           |                  |           |                  |           |                |                     |
|-------------------------------|-----------|------------------|-----------|------------------|-----------|----------------|---------------------|
| (in thousands)                |           |                  |           |                  |           |                |                     |
|                               | Level 1   |                  | Level 2   |                  | Level 3   |                | Total               |
| Bonds                         | \$        | -                | \$        | 325,573          | \$        | -              | \$ 325,573          |
| Pooled funds                  |           | -                |           | 779,850          |           | 182,864        | 962,714             |
| Short-term                    |           | -                |           | 763              |           | -              | 763                 |
| Equities                      |           | 1,604,140        |           | -                |           | -              | 1,604,140           |
| Private equity                |           | 139              |           | -                |           | 286,260        | 286,399             |
| Infrastructure                |           | -                |           | -                |           | 239,488        | 239,488             |
| <b>Total</b>                  | <b>\$</b> | <b>1,604,279</b> | <b>\$</b> | <b>1,106,186</b> | <b>\$</b> | <b>708,612</b> | <b>\$ 3,419,077</b> |
| Derivative Liability (Note 5) |           |                  | \$        | 3,802            |           |                |                     |

No investments were transferred between levels during the year.

| <b>2020</b>    |           |                  |           |                  |           |                |                     |
|----------------|-----------|------------------|-----------|------------------|-----------|----------------|---------------------|
| (in thousands) |           |                  |           |                  |           |                |                     |
|                | Level 1   |                  | Level 2   |                  | Level 3   |                | Total               |
| Bonds          | \$        | -                | \$        | 312,072          | \$        | -              | \$ 312,072          |
| Pooled funds   |           | -                |           | 714,050          |           | 159,548        | 873,598             |
| Short-term     |           | -                |           | 9,730            |           | -              | 9,730               |
| Equities       |           | 1,421,348        |           | -                |           | -              | 1,421,348           |
| Private equity |           | 2,003            |           | -                |           | 216,267        | 218,270             |
| Infrastructure |           | -                |           | -                |           | 224,826        | 224,826             |
| <b>Total</b>   | <b>\$</b> | <b>1,423,351</b> | <b>\$</b> | <b>1,035,852</b> | <b>\$</b> | <b>600,641</b> | <b>\$ 3,059,844</b> |

**4. Investments (continued)**

|                              | Fair Value measurements using level 3 inputs |                         |                  |            |            |
|------------------------------|--|-------------------------|------------------|------------|------------|
|                              | 2021   |                         |                  | 2020       |            |
|                              | Infrastructure                               | Real Estate Pooled Fund | Private Equities | Total      | Total      |
| Balance at December 31, 2020 | \$ 224,826                                   | \$ 159,548              | \$ 216,267       | \$ 600,641 | \$ 583,888 |
| Purchases                    | 72,597                                       | -                       | 62,494           | 135,091    | 72,464     |
| Sales/return of capital      | (76,845)                                     | -                       | (110,470)        | (187,315)  | (104,483)  |
| Gains (losses)               |  |                         |                  |            |            |
| Realized                     | 21,815                                       | -                       | 59,081           | 80,896     | 30,369     |
| Unrealized                   | ( 2,905)                                     | 23,316                  | 58,888           | 79,299     | 18,403     |
| Balance at December 31, 2021 | \$ 239,488                                   | \$ 182,864              | \$ 286,260       | \$ 708,612 | \$ 600,641 |

**5. Derivatives**

Derivative financial instruments are financial contracts whose values are derived from changes in underlying assets, interest or currency exchange rates.

At December 31, 2021 the Plan held the following derivatives:

**Forward Contracts**

The Plan has entered into foreign exchange forward contracts to hedge some of its foreign currency exposure in its foreign equities and bonds. Foreign exchange forward contracts are obligations in which two counterparties agree to exchange one currency for another at a specified price for settlement on a predetermined date in the future.



## 5. Derivatives (continued)

The Plan uses a passive hedging strategy with an applied hedge ratio of 50 per cent of the underlying portfolio. The objective of the passive currency hedge is to provide partial protection of the base currency value of foreign equities and bonds against a decline in value of the applicable non-base currencies. The following summarizes the Plan's use of foreign currency forward exchange contracts within the passive currency hedging strategy:

| <b>FOREIGN EXCHANGE FORWARD CURRENCY CONTRACTS</b> |                 |                |              |                 |              |              |
|--|-----------------|----------------|--------------|-----------------|--------------|--------------|
| (in thousands)                                     |                 |                |              |                 |              |              |
|  | <b>2021</b>     |                |              | <b>2020</b>     |              |              |
| Currency   | Notional Value* | Gain (Loss)    | Net Exposure | Notional Value* | Gain (Loss)  | Net Exposure |
| AUD  | \$ 7,441        | \$ (29)        | 50.0%        | \$ 5,130        | \$ (218)     | 49.9%        |
| CHF  | 16,769          | (259)          | 50.0%        | 10,573          | 56           | 50.0%        |
| DKK  | 8,529           | 25             | 50.0%        | 9,267           | (82)         | 50.0%        |
| EUR  | 48,871          | 130            | 50.0%        | 45,149          | (290)        | 50.0%        |
| GBP  | 32,406          | (578)          | 50.0%        | 19,926          | (334)        | 50.0%        |
| HKD  | 8,439           | (58)           | 50.0%        | 13,433          | 321          | 50.0%        |
| JPY  | 33,735          | 81             | 50.0%        | 33,389          | 593          | 50.0%        |
| MXN  | 1,056           | (17)           | 50.3%        | -               | -            | -            |
| NOK  | 3,287           | 21             | 50.0%        | 2,280           | (76)         | 50.0%        |
| NZD  | 482             | 8              | 50.2%        | 1,175           | (40)         | 50.0%        |
| SEK  | 5,422           | 179            | 50.0%        | 6,412           | (185)        | 50.0%        |
| SGD  | 1,403           | (17)           | 51.2%        | 1,431           | 12           | 50.0%        |
| USD  | 391,319         | (3,288)        | 50.0%        | 358,960         | 7,042        | 50.0%        |
|  | <b>\$</b>       | <b>(3,802)</b> |              | <b>\$</b>       | <b>6,799</b> |              |

\*Notional value represents the contractual amount to which a rate or price is applied in order to calculate the exchange rate of cash flows, and is therefore not recorded on the financial statements.

Based on the rates of exchange as of December 31, 2021, the forward contracts are in a net loss position of \$3.8 million (2020 – gain of \$6.8 million). The foreign currency forward exchange contracts are short-term in duration and all current contracts as of December 31, 2021 have a maturity date of less than one year. Forward contracts are included in short-term investments when they are in a net gain position and included in derivative liability when they are in a net loss position.

## 6. Due from General Revenue Fund

The Plan's bank account is included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan.

Earned interest is 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 2021 was 0.14 per cent (2020 – 0.59 per cent).

## 7. Earnings Allocation to Members

Interest is allocated annually to the individual member's account balances in accordance with the provisions of the governing legislation. The 2021 interest rate of 0.70 per cent (2020 – 0.90 per cent) was applied.

## 8. Transfers, Refunds and Benefit Payments

(in thousands)

|  | <u>2021</u>             | <u>2020</u>             |
|--|-------------------------|-------------------------|
| Transfers to other retirement plans                  | \$ 44                   | \$ 302                  |
| Transfer to other retirement vehicles                | 29,230                  | 26,393                  |
| Withdrawals with interest                            | <u>8,920</u>            | <u>11,171</u>           |
| Total Transfers and Refunds                          | <u>\$ 38,194</u>        | <u>\$ 37,866</u>        |
| Lump sum payments to estates                         | 3,586                   | 1,167                   |
| Payments in lieu of annuities                        | <u>4,776</u>            | <u>5,630</u>            |
| Total Benefit Payments                               | <u>8,362</u>            | <u>6,797</u>            |
| <b>Total Transfers, Refunds and Benefit Payments</b> | <u><u>\$ 46,556</u></u> | <u><u>\$ 44,663</u></u> |

## 9. Provision for Annuity Obligations

The actuarial present value of the provision for annuity obligations was determined using management's best estimate of future investment performance and future pension indexing.

LifeWorks performed an actuarial valuation for management purposes as at December 31, 2020 and have extrapolated the results of that valuation to December 31, 2021 with interest and actual benefit payments. Actuarial valuations for management purposes are performed annually.

An actuarial valuation for filing purposes was performed as at December 31, 2020 and filed with the regulatory authorities. The next valuation to be filed will be required effective December 31, 2023.

## 9. Provision for Annuity Obligations (continued)

The actuarial valuation was based on a number of assumptions about future events including discount rates, pension indexing (for members who elected indexed annuities), and mortality as follows:

|                        | 2021   | 2020   |
|------------------------|--|--|
| Discount rate          | 5.70%  | 5.50%  |
| Indexation of pensions | 2.00%  | 2.00%  |
| Mortality              | CPM 2014Priv at 105% for males and 90% for females combined with CPM-B improvement scale | CPM 2014Priv at 105% for males and 90% for females combined with CPM-B improvement scale |

The actual rates may vary significantly from the assumptions used. The following illustrates the effect of changing certain assumptions. The changes in assumptions are independent of one another.

|   | Effect on Provision for Annuity Obligations |         |                  |         |
|---|---|---------|------------------|---------|
|   | Discount Rate                               |         | Pension Indexing |         |
| Increase (Decrease) in rate               | 1.00%                                       | (1.00%) | 1.00%            | (1.00%) |
| (Decrease) Increase in annuity obligation | (5.20%)                                     | 5.80%   | 0.80%            | (0.70%) |

The cash outflow to pay the required annuity obligation is calculated using the above assumptions. The estimated cash outflows in the next five years would be \$6.5 million, in the next 10 years \$10.4 million and in the next 30 years \$14.3 million.

## 10. Pension Obligations

The actuarial present value of the pension obligation for the Defined Benefit Component of the Plan was determined using the projected benefit method prorated on service and management's best estimate assumptions of future investment performance, salary escalation, inflation, and future pension indexing.

LifeWorks performed an actuarial valuation for management purposes as at December 31, 2020 and have extrapolated the results of that valuation to December 31, 2021 with interest, estimated service accruals, estimated impact of ad-hoc pension increase and actual benefit payments. Actuarial valuations for management purposes are performed annually.

An actuarial valuation for filing purposes was performed as at December 31, 2020 and filed with the regulatory authorities. The next valuation to be filed will be required effective December 31, 2023.

## 10. Pension Obligations (continued)

The pension obligation is based on a number of assumptions about future events including discount rates, rate of salary increases, inflation, mortality, retirement rates and termination rates. The major assumptions used in determining the actuarial present value of the pension obligation for the Defined Benefit Component of the Plan are:

|                        | 2021   | 2020   |
|------------------------|--|--|
| Discount rate          | 5.70%  | 5.50%  |
| Salary escalation      | 2.70%  | 2.70%  |
| Inflation              | 2.00%  | 2.00%  |
| Indexation of pensions | None assumed   | None assumed   |
| Mortality              | CPM 2014Priv at 105% for males<br>and 90% for females combined with<br>CPM-B improvement scale | CPM 2014Priv at 105% for males<br>and 90% for females combined with<br>CPM-B improvement scale |

The actual rates may vary significantly from the assumptions used. The following illustrates the effect of changing certain assumptions. The changes in assumptions are independent of one another.

|   | Effect on Pension Obligation Liability |         |                   |         |                  |  |
|---|--|---------|-------------------|---------|------------------|--|
|   | Discount Rate                          |         | Salary Escalation |         | Pension Indexing |  |
| Increase (Decrease) in rate               | 1.00%                                  | (1.00%) | 1.00%             | (1.00%) | 1.00%            |  |
| (Decrease) Increase in pension obligation | (11.30%)                               | 14.10%  | 2.80%             | (2.50%) | 10.20%           |  |

Because the Plan has a solvency deficiency, there is a requirement for a solvency deficiency holdback to be withheld from payouts of commuted values for a period of five years. Solvency deficiency holdbacks owing as of December 31, 2021 total \$26.2 million (2020 - \$29.6 million).

## 11. 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, foreign exchange risk and equity price risk) and liquidity risk.

Significant financial risks are related to the Plan's investments. These financial risks are managed by having an investment policy, which is approved annually by the Commission. The investment policy provides guidelines to the Plan's investment managers for the asset mix of the portfolio regarding quality and quantity. The asset mix helps to reduce the impact of market value fluctuations by requiring investments in different asset classes and in domestic and foreign markets. Derivatives are allowed within the Plan to hedge against losses and substitute for direct investment. The Public Employees Benefits Agency (PEBA) monitors compliance and reports on exceptions to the Commission through the quarterly Investment Monitoring Report.

## 11. Financial Risk Management (continued)

### 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 cash, accounts receivable and certain investments. The maximum credit risk to which it is exposed at December 31, 2021 is limited to the carrying value of the financial assets summarized as follows:

|                                       | (in thousands) |            |
|---------------------------------------|----------------|------------|
|                                       | 2021           | 2020       |
| Cash                                  | \$ 126,834     | \$ 136,828 |
| Accounts receivable                   | 13,654         | 16,050     |
| Fixed income investments <sup>1</sup> | 326,336        | 321,802    |
| Due from the General Revenue Fund     | 8,835          | 8,704      |
| Equities under security lending       | 83,987         | 62,612     |

<sup>1</sup>Includes short-term investments and bonds, including those under security lending, and derivatives.

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

Accounts receivable are made up of employee and employer contributions receivable, accrued investment income, investment receivables, and other receivables. Employee and employer contributions receivable are generally received in less than 30 days. Accrued investment income is received on the next scheduled payment date, generally either annually or semi-annually. Proceeds from the sale of an investment will normally be received two days after the trade date.

Credit risk within investments is primarily related to short-term investments and segregated bonds. It is managed through the investment policy that limits fixed term investments to those of high credit quality (minimum rating for bonds, BBB unless otherwise permitted within specific investment manager mandate, and for short-term investments is A2/P2) along with limits to the maximum notional amount of exposure with respect to any one issuer.

Credit ratings for bonds are as follows:

|               | (In thousands) |                         |            |                         |
|---------------|----------------|-------------------------|------------|-------------------------|
|               | 2021           |                         | 2020       |                         |
| Credit Rating | Fair Value     | Makeup of Portfolio (%) | Fair Value | Makeup of Portfolio (%) |
| AAA           | \$ 16,731      | 5.14                    | \$ 4,908   | 1.57                    |
| AA            | 56,868         | 17.47                   | 59,514     | 19.07                   |
| A             | 106,624        | 32.75                   | 106,158    | 34.02                   |
| BBB           | 145,350        | 44.64                   | 141,492    | 45.34                   |
| Total         | \$ 325,573     | 100.00                  | \$ 312,072 | 100.00                  |

Within bond investments, there are no holdings from any one issuer (other than the Government of Canada or a Canadian province) over 7.85 per cent (2020 – 7.51 per cent) of the market value of the combined bond and short-term investment portfolios. There are no Government of Canada bonds as of and no provincial bonds as of December 31, 2020 and December 31, 2021.

## 11. Financial Risk Management (continued)

The Plan is also subject to credit risk through its use of derivative contracts. Credit risk is limited to the positive replacement cost (fair value) of the instruments as this represents the cost to replace these contracts at prevailing market rates if a default occurred. The contracts are entered into between the Plan and approved counterparties. Derivative instruments, other than those regularly traded on public exchanges, must be arranged with counterparties that have a minimum credit rating of two of the following ratings: A(low) from Moody's or A(low) from Standard & Poor's or A(low) from Fitch or A(low) from DBRS Morningstar.

### Market risk

Market risk represents the potential for loss from changes in the value of financial instruments. Value can be affected by changes in interest rates, foreign exchange rates and equity prices. Market risk primarily impacts the value of investments.

#### Interest rate risk

The Plan is exposed to changes in interest rates in its fixed income investments, including short-term investments, bonds and fixed income pooled funds. Duration is a measure used to estimate the extent market values of fixed-income instruments change with changes in interest rates. Using this measure, it is estimated that a 100-basis point increase in interest rates would decrease net assets available for benefits and surplus by \$95 million at December 31, 2021 (2020 - \$92 million); representing 10.35 per cent of the \$920 million fair value of fixed-income investments. Conversely, a decrease in interest rates of 100 basis points would increase net assets available for benefits and surplus by \$95 million at December 31, 2021 (2020 - \$92 million); representing 10.35 per cent of the \$920 million fair value of fixed income investments.

#### Foreign exchange

The Plan is exposed to changes in the U.S. /Canadian dollar exchange rate through its U.S. denominated investments and investment in private markets (includes private equity and infrastructure). Also, the Plan is exposed to non-North American currencies through its investment in non-North American equity pooled funds and investment in private markets.

The exposure to both U.S. public equities and non-North American public equities, including the pooled equity funds, is limited from a minimum of 19 per cent to a maximum of 41 per cent of the market value of the total investment portfolio. At December 31, 2021, the Plan's exposure to U. S. equities was 19.66 per cent (2020 – 23.99 per cent) and its exposure to Non-North American equities was 14.56 per cent (2020 – 15.60 per cent).

In addition, at December 31, 2021 the Plan's exposure to private markets was 14.82 per cent (2020 – 13.83 per cent).

At December 31, 2021, a 10 per cent change in the Canadian dollar versus U.S. dollar exchange rate would result in approximately a \$83.7 million (2020 - \$81.1 million) change in the net assets available for benefits. A 10 per cent change in the Canadian dollar versus the Non- North American currencies would result in approximately a \$42.6 million (2020 - \$33.3 million) change in net assets available for benefits.

The Plan's exposure to exchange rate risk resulting from the purchase of goods and services is not considered material to the operations of the Plan. The Plan has mitigated its exposure to foreign exchange through the use of derivatives as explained in Note 5. As at December 31, 2021, the Plan's exposure net of derivatives is \$1.18 billion (2020 – \$1.08 billion). A 10 per cent change in the exchange rate would equate to a net change of \$118 million (2020 – \$108 million).

## 11. Financial Risk Management (continued)

### Equity prices

The Plan is exposed to changes in equity prices in Canadian, U.S. and non-North American markets. Equities comprise 50.44 per cent (2020 – 49.32 per cent) of the carrying value of the Plan's total investments. Individual stock holdings are diversified by geography, industry type and corporate entity. No one investee represents greater than 10 per cent of the market value of the Plan. As well, no one holding represents more than 30 per cent of the outstanding share issue of any corporation.

The following table indicates the approximate change that could be anticipated for both the increase and decrease in net assets available for benefits based on changes in the Plan's benchmark indices at December 31, 2021:

|                        | (in thousands) |              |
|------------------------|----------------|--------------|
|                        | 10% increase   | 10% decrease |
| Canadian Equities      | \$57,532       | \$(57,532)   |
| U.S. Equities          | 69,762         | (69,762)     |
| Other Foreign Equities | 51,665         | (51,665)     |

### **Securities lending risk**

At December 31, 2021, no Plan assets have been deposited or pledged as collateral as part of the securities lending strategy. As part of the Plan's securities lending strategy, collateral has been pledged to the Plan by various counterparties for securities out on loan to the counterparties. At December 31, 2021, the total amount of collateral pledged to the Plan amounted to \$92 million (2020 – \$69 million). Security lending obtains collateral of at least 102 per cent of the market value of the securities lent. Such loans must be secured by readily marketable government bonds, treasury bills and/or letters of credit, discount notes and banker's acceptances of Canadian chartered banks (See Note 4).

### **Private equity, infrastructure and real estate risk**

Private equity, infrastructure and real estate assets are valued at estimated fair values supplied by the investment manager using appropriate valuation techniques. An independent auditor performs an annual audit of these investment managers and their valuation techniques to ensure the assets are fairly stated in all material aspects. Risk in private equity and infrastructure is managed through diversification across sectors and geographic regions. Adverse impacts in any one sector of the market or geographic location are minimized by having holdings diversified across sectors, geographic location and investment size. Risk in real estate investments is managed through diversification across geographic locations within Canada and property type. Adverse impacts in any one geographic location are minimized by having holdings in other locations and property types.

**11. Financial Risk Management (continued)****Liquidity risk**

Liquidity risk is the risk that the Plan is unable to meet its financial obligations as they fall due. Cash resources are managed on a daily basis based on anticipated cash flows. Accounts payable are due within one year.

The Plan's future obligations include the Plan's accrued pension obligation and other contracts the Plan may enter that give rise to commitments of future outflows of cash. Liquidity requirements of the Plan are met through income generated from investments, employee and employer contributions and by investing in liquid assets that are easily sold and converted into cash.

**12. Administrative Expenses**

The annual operating expenditures associated with the Plan's administration are paid to PEBA Revolving Fund except for custodial fees, investment base fees, performance fees and other investment fees, which are paid directly.

|                       | (in thousands)   |                  |
|-----------------------|------------------|------------------|
|                       | <b>2021</b>      | <b>2020</b>      |
| Audit fees            | \$ 69            | \$ 69            |
| Actuarial fees        | 251              | 276              |
| Administration costs  | 8,246            | 8,125            |
| Custodial fees        | 655              | 529              |
| Investment base fees  | 15,477           | 13,486           |
| Performance fees      | 24,855           | 11,734           |
| Other investment fees | 2,153            | 439              |
|                       | <u>\$ 51,706</u> | <u>\$ 34,658</u> |

**13. Related Party Transactions**

All Government of Saskatchewan agencies such as ministries, corporations, boards and commissions are related to the Plan by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan are collectively referred to as "related parties". Costs charged by the PEBA Revolving Fund in administering the Plan are reflected in these financial statements.

The Plan has an accounts payable balance as at December 31, 2021 of \$0.9 million (2020 – \$0.8 million) due to the PEBA Revolving Fund.



### 13. Related Party Transactions (continued)

Other related party transactions are disclosed separately in these financial statements.

Account balances resulting from the above transactions are included in the Statement of Financial Position and are settled at agreed upon exchange rates.

### 14. Capital Management

The Plan receives new capital from employee and employer contributions. The Plan also benefits from income and market value increases on its invested capital. The Plan's capital is invested in a number of asset classes including equities, fixed-income, infrastructure, private equity and short-term investments. The Commission has delegated the operational investment decisions to a number of different investment management firms through a number of different investment mandates as defined in the Plan's Statement of Investment Policy and Procedures.

### 15. Investment Performance

The investment managers make day-to-day decisions on whether to buy or sell investments in order to achieve the long-term performance objectives set by the Commission. The Commission reviews the investment performance of the Plan in terms of the performance of the benchmark portfolio over four-year rolling periods. The Plan's primary objective is to grow at a rate which exceeds the growth of the Plan's liabilities.

The following is a summary of the Plan's investment performance:

|   | 2021          |                           |
|---|---------------|---------------------------|
|   | Annual Return | Rolling Four Year Average |
| Plan's actual rate of return after deducting investment and administration expenses | 11.7%         | 10.1%                     |
| Benchmark   | 9.4%          | 8.7%                      |

### 16. Contingencies

A union representing participating employees has applied by Notice of Motion, which also names several participating employers, for an order quashing purported decisions of the Commission relating to the application of actuarial surplus in the fund, as well as other relief. It is not possible to estimate the potential effect of the claim at this stage in the proceedings.

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Publications and other information about MEPP are available on the website.

## Connect With Us



This report provides general information about the Municipal Employees' Pension Plan and its operation. It does not replace or supercede the legislation governing the Plan.