

Water Security Agency Retirement Allowance Plan



Annual Report for 2021-2022

Table of Contents

Letters of Transmittal	2
Introduction	3
Enrolment	3
Benefits	3
Management’s Report	4
Actuarial Opinion	5
Financial Statements	
Auditor’s Report	8
Statement of Financial Position.....	10
Statement of Operations and Change in Net Financial Assets	11
Statement of Cash Flows	12
Notes to the Financial Statements	13

Letters of Transmittal



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

I have the honour to transmit herewith the Annual Report of the Water Security Agency Retirement Allowance Plan for the year ending March 31, 2022.

A handwritten signature in cursive script that reads "Donna Harpauer".

Donna Harpauer
Minister of Finance

The Honourable Donna Harpauer
Minister of Finance

Madam:

On behalf of the Public Employees Benefits Agency, I have the honour to transmit herewith the Annual Report of the Water Security Agency Retirement Allowance Plan for the year ending March 31, 2022.

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

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

Water Security Agency Retirement Allowance Plan

Introduction

The Water Security Agency (WSA) was originally established as the Saskatchewan Watershed Authority on October 1, 2002, and was continued under the *Water Security Agency Act*, on October 1, 2012. It is a Treasury Board Crown corporation within the meaning of *The Crown Corporation Act, 1993*.

The WSA established the Water Security Agency Retirement Allowance Plan (the Plan) for the purpose of providing certain retirement benefits to out-of-scope employees of the WSA.

The Plan is not registered as a pension plan under the *Income Tax Act* (Canada). The WSA has not established a trust nor does it hold property for the specific purpose of providing benefits to the participants. Benefits are funded out of current operations of the WSA.

On November 16, 2004, an Order-in-Council designated the Plan as a benefit program to be operated, administered and managed by the Public Employees Benefits Agency (PEBA).

Enrolment

The Plan includes all out-of-scope employees of the WSA. As at March 31, 2022, there were 46 (2021 - 50) active members in the Plan.

Benefits

Members of the Plan retiring from the WSA, in accordance with the provision of the pension plan they are enrolled in, are paid a retirement allowance of two days pay for each year of service or portion thereof to a maximum of 40 days pay effective January 1, 2006.

The retirement allowance is calculated at the employee's regular rate of pay at the date of retirement.

Management's Report

To the Members of the Legislative Assembly of Saskatchewan

As administrators of the Water Security Agency Retirement Allowance Plan, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian public sector accounting standards.

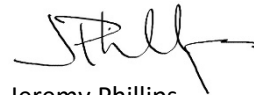
The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

The Water Security Agency Retirement Allowance Plan has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian public sector accounting standards.

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

Enclosed are the financial statements of the Water Security Agency Retirement Allowance Plan for the year ended March 31, 2022, and the Provincial Auditor's report on these financial statements.

Regina, Saskatchewan
July 12, 2022



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

Actuarial Opinion

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

- The data on which this valuation is based are sufficient and reliable;
- The assumptions have been adopted as management's best estimates for accounting purposes and are appropriate;
- The actuarial cost method employed is appropriate; and
- The calculations have been made in accordance with our understanding of the requirements of Section 3255 of the CPA Canada Handbook.

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

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



Ryan Welsh, FSA, FCIA
Partner
Aon



Keith Shaw, FSA, FCIA
Senior Consultant
Aon

April 12, 2022

Water Security Agency Retirement Allowance Plan

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

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

Opinion

We have audited the financial statements of the Water Security Agency Retirement Allowance Plan, which comprise the statement of financial position as at March 31, 2022, and the statement of operations and change in net financial assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Water Security Agency Retirement Allowance Plan as at March 31, 2022, and the results of its operations and changes in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Water Security Agency Retirement Allowance Plan in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or any knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector account standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Water Security Agency Retirement Allowance Plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Water Security Agency Retirement Allowance Plan or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Water Security Agency Retirement Allowance Plans' financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance



with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Water Security Agency Retirement Allowance Plan's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Water Security Agency Retirement Allowance Plan's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Water Security Agency Retirement Allowance Plan to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control identified during the audit.

Regina, Saskatchewan
July 12, 2022

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

Statement 1**Water Security Agency Retirement Allowance Plan
Statement of Financial Position****As At March 31, 2022**

	<u>2022</u>	<u>2021</u>
FINANCIAL ASSETS		
Water Security Agency Contribution Receivable (Note 3)	\$ 393,801	\$ 391,139
	<u>393,801</u>	<u>391,139</u>
LIABILITIES		
Benefit Liability (Note 4)	393,801	391,139
	<u>393,801</u>	<u>391,139</u>
NET FINANCIAL ASSETS AND ACCUMULATED SURPLUS (Statement 2)	<u>\$ -</u>	<u>\$ -</u>

(See accompanying notes to the financial statements)

Water Security Agency Retirement Allowance Plan
Statement of Operations and Change in Net Financial Assets

Year Ended March 31, 2022

	<u>2022</u>	<u>2021</u>
REVENUE		
Contribution	\$ 29,661	\$ 40,778
	<u>29,661</u>	<u>40,778</u>
EXPENSES		
Benefit costs	22,600	24,000
Interest on benefit liability	9,100	11,100
Amortization of actuarial losses	(2,039)	5,678
	<u>29,661</u>	<u>40,778</u>
SURPLUS (DEFICIT) FOR THE YEAR	<u>-</u>	<u>-</u>
NET FINANCIAL ASSETS AND ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>-</u>	<u>-</u>
NET FINANCIAL ASSETS AND ACCUMULATED SURPLUS, END OF YEAR (Statement 1)	<u>\$ -</u>	<u>\$ -</u>

(See accompanying notes to the financial statements)

Statement 3**Water Security Agency Retirement Allowance Plan
Statement of Cash Flows****Year Ended March 31, 2022**

	<u>2022</u>	<u>2021</u>
OPERATING ACTIVITIES		
Contributions received from Water Security Agency	\$ 27,000	\$ 51,600
Eligible benefits paid	(27,000)	(51,600)
NET INCREASE (DECREASE) IN CASH	<u>-</u>	<u>-</u>
CASH, BEGINNING OF YEAR	<u>-</u>	<u>-</u>
CASH, END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

(See accompanying notes to the financial statements)

**Water Security Agency Retirement Allowance Plan
Notes to the Financial Statements**

March 31, 2022

1. Description of the Plan

Water Security Agency (WSA) established the Water Security Agency Retirement Allowance Plan (the Plan) for the purpose of providing certain retirement benefits to out-of-scope employees of WSA.

The Plan is not registered as a pension plan under the *Income Tax Act (Canada)*. WSA has not established a trust, nor does it hold property for the specific purpose of providing benefits to the participants. Benefits are funded out of current operations of WSA.

On November 16, 2004, an Order in Council designated the Plan as a benefit program to be operated, administered, and managed by the Public Employees Benefits Agency (PEBA). An agreement has been established between PEBA and WSA, which specifies the administrative services that WSA will provide.

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

Eligibility

The plan includes all current out-of-scope employees of WSA with a service date on or before December 31, 2017. As at March 31, 2022, there were 46 (2021 - 50) active members in the Plan.

Benefits

Employees retiring from WSA, in accordance with the provisions of the pension plan in which they are enrolled, are paid a retirement allowance of two (2) days pay for each year of service or portion thereof to a maximum of forty (40) days pay, effective January 1, 2006. The retirement allowance is calculated at the employee's regular rate of pay at the date of retirement.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian public sector accounting standards. These statements do not present a Statement of Re-measurement Gains and Losses as the Plan has no re-measurement gains or losses. The following accounting policies are considered significant:

a) Revenue recognition

Contributions are recognized as revenue as the corresponding cost of service benefits are incurred.

b) Financial instruments

The Plan's sole asset is the receivable from the Water Security Agency. As described in Note 5, the fair value of this receivable is its carrying value.

2. Significant Accounting Policies – continued

c) Benefit Liability

The accrued benefits obligation and cost of service benefits are determined using the projected benefit method pro-rated on service.

d) Measurement Uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. The significant area requiring the use of estimates relates to the actuarial determination of the benefit liability.

3. Water Security Agency Contributions Receivable

Eligible benefits payments will be funded by the Agency as eligible employees retire.

4. Benefit Liability

The present value of the accrued benefits obligation was determined using the projected benefits method prorated on service, and the best estimate assumptions of WSA's management. Plan experience is the difference between the expected and actual benefit obligation and is recognized in accordance with Section PS 3255 post-employment benefits, compensated absences and termination benefits. AON Hewitt Inc., a firm of consulting actuaries, performed actuarial valuations as of March 31, 2022, and March 31, 2021, to determine the actuarial present value of the benefits obligation. The effective date of the next actuarial valuation will be March 31, 2023.

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

	<u>2022</u>	<u>2021</u>
Discount Rate	3.20%	2.50%
Salary Increase	3.00%	3.00%
Termination Rate Up to Age 49	5.00%	5.00%
Termination Rate After Age 49	0.00%	0.00%
Retirement - at Age 60		

4. Benefit Liability Continued

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

Assumption	Change Made	Change in Obligation at March 31, 2022	Percentage change in Obligation
Annual Termination Rate	Plus 0.5%	(4,000)	(1.1%)
	Minus 0.5%	4,100	1.2%
Discount Rate	Plus 0.5%	(11,500)	(3.3%)
	Minus 0.5%	12,400	3.5%
General salary Increase	Plus 0.5%	12,300	3.5%
	Minus 0.5%	(11,500)	(3.3%)

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

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

	2022	2021
Accrued benefit obligation, beginning of year	\$ 353,900	\$ 446,800
Accrual of benefit costs	22,600	24,000
Interest cost	9,100	11,100
Other benefit payments	(27,000)	(51,600)
Plan experience (loss) gain	10,900	(76,400)
Change in assumptions	(17,600)	-
Accrued benefit obligation, end of year	\$ 351,900	\$ 353,900
Unamortized estimation adjustments - gain/(loss)	41,901	37,239
Total liability	\$ 393,801	\$ 391,139

5. Financial Risk Management

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

6. Related Parties

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

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