

SaskPower Severance Pay Credits Plan



Annual Report for 2022

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Letters of Transmittal



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

May it Please Your Honour:

I have the honour to transmit herewith the Annual Report of the
SaskPower Severance Pay Credits Plan for the year ending
December 31, 2022.

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

Donna Harpauer
Minister of Finance

The Honourable Donna Harpauer
Minister of Finance

Madam:

On behalf of the Public Employees Benefits Agency, I have the honour to
transmit herewith the Annual Report of the SaskPower Severance Pay
Credits Plan for the year ending December 31, 2022.

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

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

Introduction

The Saskatchewan Power Corporation (SaskPower; the Corporation) established the SaskPower Severance Pay Credits Plan (the Plan) for the purpose of providing severance benefits to SaskPower employees.

The Plan is not registered as a pension plan under the *Income Tax Act* (Canada). The Corporation 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 Corporation.

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

Participants

The Plan consists of International Brotherhood of Electrical Workers (IBEW), UNIFOR, and Management employees. As of September 30, 2022 the following numbers of Participants were eligible to receive benefits from each type of severance benefit payable under the Plan.

Benefit Type	Participants (# of)
Pre-1996*	325
Post-1995*	621
Pre-2005**	117
Post-2005**	94

* Includes both IBEW and Management employees

** Includes UNIFOR employees

Benefits

The following describes the various types of severance benefits payable on retirement, termination or death for all Participants under the Plan:

- a) Pre-1996 severance pay credits are benefits provided to IBEW and Management employees for company service time prior to January 1, 1996.
- b) Post-1995 severance pay credits are benefits provided to IBEW and Management employees for company service time after January 1, 1996: (only until December 31, 2019 for Management).
- c) Pre-2005 severance pay credits are benefits provided to UNIFOR employees for company service time prior to February 1, 2005.
- d) Post-2005 severance pay credits are benefits provided to UNIFOR employees for company service time after February 1, 2005.
- e) For those employees who voluntarily opted out of the Millennium Registered Retirement Savings Plan (MRRSP) due to insufficient RRSP contribution room, any eligible company service will be paid out under the provisions of the Plan document.

Each Participant receives five days per year of service at their hourly rate of pay in effect at retirement, termination or death based on the number of hours worked per day.

Upon termination of active service, Participants elect how severance benefits are to be paid. In the event of termination of service, SaskPower, on behalf of the Plan, shall pay a Participant's severance benefits in a lump sum.

Management's Report

To the Members of the Legislative Assembly of Saskatchewan

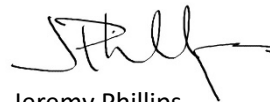
As administrators of the SaskPower Severance Pay Credits Plan, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian public sector accounting standards.

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

The SaskPower Severance Pay Credits 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.

Enclosed are the financial statements of the SaskPower Severance Pay Credits Plan for the year ended December 31, 2022, and the Provincial Auditor's report on these financial statements.

Regina, Saskatchewan
April 17, 2023



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

Actuarial Opinion

With respect of the various Saskatchewan Power Corporation Severance Programs, I have prepared a valuation as at September 30, 2022. These results have been extrapolation to December 31, 2022 for the purpose of determining actuarial information in accordance with International Financial Reporting Standards, IAS 19 – Revised. In addition, I have performed a reconciliation of the accrued liability for 2022. In my opinion, for the purpose of the extrapolation:

- The membership data and plan provisions on which our valuation and extrapolation is based are sufficient and reliable;
- The assumptions and methods are appropriate; and
- The calculations have been made in accordance with our understanding of the requirements of International Financial Reporting Standards, IAS 19 – Revised.

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

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



Kerem Leylek, FSA, FCIA
ECKLER LTD.

January 11, 2023

**Saskatchewan Power Corporation
Severance Pay Credits Plan**

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



INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

Opinion

We have audited the financial statements of the Saskatchewan Power Corporation Severance Pay Credits Plan, which comprise the statement of financial position as at December 31, 2022, and the statement of operations and changes in net financial assets for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Saskatchewan Power Corporation Severance Pay Credits Plan as at December 31, 2022, and the results of its operations 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 Saskatchewan Power Corporation Severance Pay Credits 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 *SaskPower Severance Pay Credits Plan Annual Report for 2022*, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

In preparing the financial statements, management is responsible for assessing the Saskatchewan Power Corporation Severance Pay Credits 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 Saskatchewan Power Corporation Severance Pay Credits Plan or to cease operations, or has no realistic alternative but to do so.



Those charged with governance are responsible for overseeing the Saskatchewan Power Corporation Severance Pay Credits Plan's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Saskatchewan Power Corporation Severance Pay Credits 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 Saskatchewan Power Corporation Severance Pay Credits 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 Saskatchewan Power Corporation Severance Pay Credits 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
April 17, 2023

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

**Saskatchewan Power Corporation Severance Pay Credits Plan
Statement of Financial Position**

Statement 1

(in thousands)

As at	December 31 2022	December 31 2021
Financial Assets		
SaskPower Contribution Receivable	\$ 7,836	\$ 9,488
Total Financial Assets	7,836	9,488
Liabilities		
Benefits Liability (Note 4)	7,836	9,488
Total Liabilities	7,836	9,488
Net Financial Assets and Accumulated Surplus (Statement 2)	\$ -	\$ -

(See accompanying notes to the financial statements)

**Saskatchewan Power Corporation Severance Pay Credits Plan
Statement of Operations and Changes in Net Financial Assets**

Statement 2

For the Year Ended December 31

(in thousands)

	<u>2022</u>	<u>2021</u>
Revenues		
Contribution Revenue	\$ 224	\$ 225
Total Revenue	<u>224</u>	<u>225</u>
Expenses		
Amortization of Actuarial Losses	(17)	(8)
Benefits Accrued and Interest (Note 4)	<u>241</u>	<u>233</u>
Total Expenses	<u>224</u>	<u>225</u>
Operating Surplus	-	-
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)

Saskatchewan Power Corporation Severance Pay Credits Plan

Notes to the Financial Statements

December 31, 2022

1. Description of the Plan

The Saskatchewan Power Corporation (SaskPower; the Corporation) established the SaskPower Severance Pay Credits Plan (the Plan) for the purpose of providing severance benefits to SaskPower employees.

SaskPower has closed the Plan to new entrants other than employees that were eligible to participate in the Plan in the past but were not eligible to accrue benefits. If the circumstances of these employees change, he/she may become eligible to accrue benefits effective to the date they were enrolled in the Plan.

The Plan is not registered as a pension plan under the *Income Tax Act (Canada)*. The Corporation 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 Corporation.

On January 13, 2004, an Order in Council designated the Public Employees Benefits Agency (PEBA) as the administrator of the Plan. PEBA continues to be the administrator of this Plan under Order in Council 59-2022.

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

Participants

The Plan consists of International Brotherhood of Electrical Workers (IBEW), UNIFOR, and Management employees. The following numbers of participants were eligible to receive benefits from each type of severance benefit payable under the Plan.

	September 30, 2022	September 30, 2021
Pre-1996*	325	381
Post-1995*	621	639
Pre-2005**	117	138
Post-2005**	94	98

* Includes both IBEW and Management employees

** Includes UNIFOR employees

Benefits

The following describes the various types of severance benefits payable on retirement, termination or death for all Participants under the Plan:

- a) Pre-1996 severance pay credits are benefits provided to IBEW and Management employees for company service time prior to January 1, 1996.
- b) Post-1995 severance pay credits are benefits provided to IBEW for company service time after January 1, 1996. Post-1995 severance pay credits are benefits provided to Management employees for company service time after January 1, 1996 until December 31, 2019.
- c) Pre-2005 severance pay credits are benefits provided to UNIFOR employees for company service time prior to February 1, 2005.
- d) Post-2005 severance pay credits are benefits provided to UNIFOR employees for company service time after February 1, 2005.
- e) For those employees who voluntarily opted out of the Millennium Registered Retirement Savings Plan (MRRSP) due to insufficient RRSP contribution room, any eligible company service will be paid out under the provisions of the Plan document.

Each Participant receives five days per year of service at their hourly rate of pay in effect at retirement, termination or death based on the number of hours worked per day for management and as specified in the collective bargaining agreements for IBEW and UNIFOR employees.

Upon termination of active service, Participants elect to either have severance benefits paid in either: cash, a transfer to a Registered Retirement Savings Plan (RRSP) or a combination of cash and RRSP. In the event of termination of service, SaskPower, on behalf of the Plan, shall pay a Participant's severance benefits in a lump sum.

2. Basis of Preparation and Significant Accounting Policies

The financial statements are 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 does not have these types of gains and losses or a Statement of Cash Flows as the information is readily available in the other statements and the notes thereto.

The following accounting policies are considered significant:

a) Basis of measurement

The financial statements have been prepared on the historical cost basis, with the exception of the accrued benefits obligation (Note 2(c)).

b) Financial instruments

The SaskPower contribution receivable, a financial instrument, has been recorded at cost which approximates its fair value.

c) Accrued benefits obligation

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

d) Use of estimates

These statements are prepared in conformity with Canadian public sector accounting standards. These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Differences are reflected in current operations when identified.

3. Financial Risk Management

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

4. Benefits Liability

The benefits liability of the Plan is receivable from SaskPower and will be funded by SaskPower as participants begin receiving their benefits. An actuarial valuation was performed by Eckler as at September 30, 2022 to determine the actuarial present value of the accrued benefits obligation and was extrapolated to December 31, 2022. The next actuarial valuation is expected to be performed at September 30, 2025. The present value of the accrued benefits obligation was determined using the projected benefits method pro-rated on service and the best estimate assumptions of SaskPower's management. Experience (gains)/losses result from actual experience differing from that expected and are recognized as an increase or decrease in the accrued benefits obligation. Any unamortized actuarial gains/(losses) are added to the accrued benefits obligation to arrive at the benefits liability balance for the period.

The accrued benefits obligation as at December 31 and the principal components of changes in the accrued benefits obligation during the year were as follows:

(in thousands)	Pre-1996	Post-1995	Pre-2005	Post-2005	Total
Accrued Benefits Obligation, January 1, 2022	\$ 5,514	\$ 2,858	\$ 1,481	\$ 118	\$ 9,971
Accrued Benefits	-	1	-	-	1
Interest	128	76	33	3	240
Benefits Paid	(1,337)	(167)	(371)	(1)	(1,876)
Actuarial (Gains)/Losses	285	(407)	(58)	(26)	(206)
Accrued Benefits Obligation, December 31, 2022	\$ 4,590	\$ 2,361	\$ 1,085	\$ 94	\$ 8,130
Unamortized Actuarial Gains/(Losses)	(206)	(298)	182	28	(294)
Benefits Liability, December 31, 2022	\$ 4,384	\$ 2,063	\$ 1,267	\$ 122	\$ 7,836

(in thousands)	Pre-1996 Restated	Post-1995 Restated	Pre-2005 Restated	Post-2005 Restated	Total
Accrued Benefits Obligation, January 1, 2021	\$ 6,742	\$ 3,235	\$ 2,064	\$ 132	\$ 12,173
Accrued Benefits	-	1	-	-	1
Interest	128	65	37	2	232
Benefits Paid	(1,316)	(270)	(594)	(6)	(2,186)
Actuarial (Gains)/Losses	(40)	(173)	(26)	(10)	(249)
Accrued Benefits Obligation, December 31, 2021	\$ 5,514	\$ 2,858	\$ 1,481	\$ 118	\$ 9,971
Unamortized Actuarial Gains/(Losses)	94	(756)	177	2	(483)
Benefits Liability, December 31, 2021	\$ 5,608	\$ 2,102	\$ 1,658	\$ 120	\$ 9,488

Unamortized actuarial gains/(losses) are amortized commencing in the year following the adjustment over the expected average remaining service life of active plan members at the time the actuarial gains and losses arose. The expected average remaining service life for active members of the Plan ranges from 3.6 to 15.5 years.

The accrued benefits obligation is based on many assumptions about future events. Actual experience may vary significantly from the long-term assumptions used. The significant long-term actuarial assumptions adopted in measuring SaskPower's accrued benefits obligation at December 31 are:

	2022	2021
Discount Rate, Beginning of Year	2.65%	2.10%
Discount Rate, End of Year	5.05%	2.65%
Promotional Earnings Increases (Management)	1.4%	1.4%
Promotional Earnings Increases (IBEW and UNIFOR)	0.7%	0.7%
Termination Rate	0.9%	0.9%
Long-term Rate of Compensation Increases	2.0%	2.0%
Duration in years (all programs)	4.1	5.3

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

If the discount rate was increased by one per cent, the impact would be a 3.4 per cent decrease to the accrued benefits obligation at December 31, 2022. Conversely, if the long-term rate of compensation was increased by one per cent, the impact would be a 3.9 per cent increase to the accrued benefits obligation at December 31, 2022.

5. Related Parties

SaskPower and PEBA are related by virtue of common control by the Government of Saskatchewan. The Plan is also related to key management personnel and/or their close family members.

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