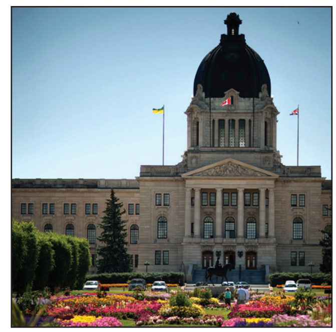
Saskatchewan Government Insurance Superannuation Plan



Annual Report for 2022

saskatchewan.ca

Saskatchewan

Table of Contents

Letters of Transmittal

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

May it Please Your Honour:

I respectfully submit the Annual Report of the Saskatchewan Government Insurance Superannuation Plan for the Year Ended December 31, 2022.

Don Morgan

Don Morgan Q.C.
Minister Responsible for Saskatchewan Government Insurance

The Honourable Don Morgan Q.C.
Minister Responsible for Saskatchewan Government Insurance

May it Please Your Honour:

I have the honour of submit the Annual Report of the Saskatchewan Government Insurance Superannuation Plan for the Year Ended December 31, 2022.

J. Stepan

Jeff Stepan
Chief Financial Officer
Saskatchewan Government Insurance

Saskatchewan Government Insurance
Superannuation Plan

Introduction

The Contributory Superannuation Plan for the employees of Saskatchewan Government Insurance, commonly referred to as the Saskatchewan Government Insurance (SGI) Superannuation Plan (the Plan), is a pension plan registered under *The Saskatchewan Government Insurance Act, 1980* (the Act), which gives SGI the authority to organize and support the defined benefit pension plan, subject to *The Pension Benefits Act*. The Plan is maintained by SGI for employees who were hired prior to January 1, 1980, and did not elect to transfer to the defined contribution plan.

The Plan has been closed to new members since 1980. New employees hired are required to join the Public Employees Pension Plan, a defined contribution pension plan.

The Act guarantees members' basic pension regardless of the financial status of the Plan. The Plan is financially sound and holds a well-diversified portfolio of debt and equity investments. Net assets available for benefits totaled $21.7 million at December 31, 2022. Diversification helps to maximize the return on Plan assets and minimize the impact of volatility in specific segments within the capital markets.

Plan Governance

The Corporation (SGI) is the Plan sponsor and has authority for all Plan decisions and approvals. SGI has delegated authority to SGI's Chief Financial Officer to makes recommendations to the SGI Board of Directors (the Board) who acts on and decides all matters pertaining to administration of the Plan. The Board members are appointed by Order in Council pursuant to *The Saskatchewan Government Insurance Act, 1980*.

Administration

Effective January 1, 2020 the Public Employees Benefits Agency (PEBA) became the Plan administrator. The administration of the Plan is a joint effort between SGI and PEBA. PEBA administers the Plan for retired members and SGI retains the administration for active and deferred members. PEBA provides reporting to SGI's Chief Financial Officer (CFO) or his designate as required.

Management's Report

To the Members of the Legislative Assembly of Saskatchewan

The administration of the Plan is a joint effort between SGI and PEBA. PEBA management is responsible for financial administration of the 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 exercised its best judgement in order that the financial statements fairly reflect the financial position of the Plan.

The present value of pension obligations has been determined by an actuarial valuation. The actuaries' opinion follows. Actuarial valuation reports require management's best estimate assumptions about future events.

The financial statements were examined by KPMG LLP whose report follows.

Regina, Saskatchewan
February 23, 2023

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

Actuarial Opinion

With respect to the *Contributory Superannuation Plan for the Employees of Saskatchewan Government Insurance*, I have prepared an actuarial valuation as at December 31, 2019 with the results subsequently extrapolated to December 31, 2022, for the purpose of determining the necessary actuarial information for financial statement reporting purposes in accordance with International Accounting Standard 19 – Employee Benefits (IAS 19).

In my opinion, for the purpose of this actuarial valuation and extrapolation:

- The data on which this valuation and subsequent extrapolation are based are sufficient and reliable.
- Where applicable, the assumptions have been adopted as management's best estimates for accounting purposes and, in my opinion, the assumptions are appropriate.
- The actuarial cost methods, extrapolation methods and valuation methods employed are appropriate.
- The actuarial valuation and extrapolation conform to the requirements of the revised IAS 19.

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.

David R. Larsen, FSA, FCIA
Fellow, Society of Actuaries
Fellow, Canadian Institute of Actuaries

January 25, 2023

Saskatchewan Government Insurance Superannuation Plan

Financial Statements

Year Ended December 31, 2022

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 AUDITOR'S REPORT

To: The Members of the Legislative Assembly Province of Saskatchewan

Opinion

We have audited the financial statements of Saskatchewan Government Insurance Superannuation Plan ("the Entity") which comprise:

- the statement of financial position as at December 31, 2022
- the statement of changes in net assets available for benefits for the year then ended
- the statement of changes in pension 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 Entity as at December 31, 2022, and the changes in its net assets available for benefits and changes in its pension 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 *"Auditor's Responsibilities for the Audit of the Financial Statements"* section of our Auditor's report.

We are independent of the Entity 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 information, other than the financial statements and the Auditor's report thereon, included in 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.

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 statements 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 Auditor's report thereon, included in the annual report as at the date of this Auditor's 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 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 the 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 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.

  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 Entity'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 Entity'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 Entity 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.

KPMG LLP

Chartered Professional Accountants

Regina, Canada

February 23, 2023

Saskatchewan Government Insurance Superannuation Plan **Statement 1**
Statement of Financial Position

	(in thousands)	
	December 31, 2022	**December 31, 2021**
Assets		
Investments (Note 4)	$ 21,730	$ 27,221
Due from General Revenue Fund (Note 5)	76	81
Total Assets	21,806	27,302
Liabilities		
Accounts Payable	89	81
Total Liabilities	89	81
Net Assets Available for Benefits	21,717	27,221
Provision for Annuity Obligations (Note 8)	18,994	24,515
Surplus	$ 2,723	$ 2,706

(See accompanying notes to the financial statements)

On behalf of the Board

Janice Wallace
Director

Denis Perrault
Director

Saskatchewan Government Insurance Superannuation Plan **Statement 2**
Statement of Changes in Net Assets Available for Benefits

	(in thousands)	
	Year Ended December 31, 2022	**Year Ended December 31, 2021**
Increase in Assets		
Investment Income (Note 4)	$ 976	$ 1,646
Employee Contributions	-	2
Total Increase in Assets	976	1,648
Decrease in Assets		
Pension Benefits	2,414	2,228
Change in Fair Value of Investments	3,916	834
Administration Expenses (Note 9)	150	147
Total Decrease in Assets	6,480	3,209
Decrease in Net Assets	(5,504)	(1,561)
Net Assets Available for Benefits, Beginning of Year	27,221	28,782
Net Assets Available for Benefits, End of Year	$ 21,717	$ 27,221

(See accompanying notes to the financial statements)

Saskatchewan Government Insurance Superannuation Plan **Statement 3**
Statement of Changes in Pension Obligations

(in thousands)

	Year Ended December 31, 2022	Year Ended December 31, 2021
Pension Obligations,		
Beginning of Year	$ 24,515	$ 27,261
Increase in Pension Obligations:		
Interest on Accrued Benefits	629	575
Pension Benefits Accrued	-	2
	629	577
Decrease in Pension Obligations:		
Pension Benefits	2,414	2,228
Change in Actuarial Assumptions	3,736	1,095
	6,150	3,323
Pension Obligations,		
End of Year (Note 8)	$ 18,994	$ 24,515

(See accompanying notes to the financial statements)

1. Description of Plan

The following description of the Saskatchewan Government Insurance Superannuation Plan (the Plan) is a summary only. For more complete information, reference should be made to the Plan Text.

(a) General

The Plan is a contributory defined benefit pension plan covering some employees of Saskatchewan Government Insurance (SGI). This Plan is operated pursuant to Section 17 of *The Saskatchewan Government Insurance Act, 1980*. It has been closed to new members since 1980. New employees hired are required to join the Public Employees Pension Plan, a defined contribution pension plan. Effective January 1, 2020 the Plan is administered directly by the Public Employees Benefits Agency (PEBA) with SGI retaining the administration for active and deferred members.

(b) Funding Policy

(i) SGI and plan members make contributions to the Plan. SGI contributes such amounts as recommended by the actuary in order that the benefits under the Plan may be properly funded. Active members no longer contribute to the plan, as the 35 years of maximum service, as specified in the Plan Text, has been reached. Optional contributions are still allowed.

(ii) SGI provides funding to the Plan based on the recommendation of the actuary until the next funding valuation will be completed and filed with the regulatory body in 2023.

(c) Service Pensions

The Plan provides a full pension at retirement calculated as 2% of a member's average earnings during the five years of highest earnings, multiplied by the total number of years of service to a maximum of 35 years. Plan members who are less than age 65 and have completed 30 years of service may select early retirement with no reduction to their pension. Plan members who are less than age 65 and have less than 30 years of service may select early retirement with a reduced pension. At age 65, members' pensions are reduced due to integration with the Canada Pension Plan.

(d) Disability Pensions

The Plan provides for early retirement when a plan member is permanently incapable, due to medical reasons, of performing their regular job duties.

(e) Survivors' Pension

The type of pension selected by the plan member will determine the amount, if any, to be paid as pension to the survivor.

(f) Death Refunds

A death refund is payable to the estate of a pensioner or survivor where such pensions have not been paid to their full extent and plan conditions permit.

In a similar manner, a death refund is payable to the spouse, if any, otherwise to the estate or designated beneficiary of a member where the member is not a pensioner.

(g) Termination Refunds
When a member ceases to be employed by SGI, subject to lock-in provisions, termination refunds with interest are payable.

(h) Income Taxes
The Plan is a registered pension plan as defined in the Income Tax Act and is not subject to income taxes.

2. Basis of Preparation

(a) Statement of Compliance
The financial statements have been prepared in accordance with the CPA Canada Handbook section 4600, *Pension Plans.* For matters not addressed in section 4600, International Financial Reporting Standards (IFRS) guidance has been implemented.

(b) Basis of Measurement
The financial statements have been prepared on the historical cost basis except for financial instruments which have been measured at fair value.

(c) Functional Currency and Presentation
These financial statements are presented in Canadian dollars, which is the Plan's functional and presentation currency.

3. Significant Accounting Policies

(a) Basis of Accounting
These financial statements are prepared on the going concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity independent of the sponsor and plan members. They are prepared to assist Plan members and others in reviewing the activities of the Plan for the fiscal period but they do not portray the funding requirements of the Plan or the benefit security of individual Plan members.

(b) Investments
All investments are carried at fair value. The Plan's equity investment funds are measured at fair value using quoted market prices of the underlying securities. Bond investment funds are measured based on the fair value of the underlying securities determined using model pricing techniques that effectively discount prospective cash flows to present value taking into consideration duration, credit quality and liquidity. The fair value of short-term investments is based on cost, which approximates fair value due to the immediate or short-term nature of these financial instruments. The fair value for the mortgage investment funds is determined based on the market values of the underlying mortgage investments, calculated by discounting scheduled cash flows through to the estimated maturity of the mortgages (using spread-based pricing, over Government of Canada bonds with a similar term to maturity), subject to adjustments for liquidity and credit risk.

The Plan records its investment purchases and sales on a trade date basis, being the date when the transactions are entered into. The Plan recognizes interest income as earned and equity investment fund income when a distribution is declared.

(c) Foreign Currencies
Foreign currency transactions are translated into Canadian dollars using exchange rates in effect on the transaction date. Monetary assets and liabilities denominated in foreign currencies are adjusted to reflect exchange rates at year-end. Exchange gains or losses arising on the translation of monetary assets and liabilities or sale of investments are included in change in fair value of investments.

(d) Measurement Uncertainty
The preparation of financial statements in accordance with the CPA Canada Handbook section 4600 requires 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 revenues and expenses during the reporting period. Actual results could differ from these estimates and changes in estimates are recorded in the accounting period in which they are determined. The most significant estimation process is related to the actuarial determination of the pension obligations (note 8) and the valuation of investments classified as level 3 (note 4).

4. Investments

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

	Market Value (in thousands)	
	2022	**2021**
Short-Term	$ 1,058	$ 1,178
Investment Funds:		
Bonds	11,972	15,184
Mortgage	4,264	5,289
Equity Investment Funds		
Canadian	1,769	2,227
Non-North American	1,358	1,652
United States	1,309	1,691
Total Investments	$ 21,730	$ 27,221

Investment income is comprised of the following:

	(in thousands)	
	2022	**2021**
Interest	$ 21	$ 3
Investment Fund Distributions	587	643
Equity Investment Fund Distributions	368	1,000
	$ 976	$ 1,646

(a) Investment Funds

The Plan owns units in bond investment funds and mortgage investment funds. The bond investment funds have the objective to maintain certain targeted durations, as follows:

	Market Value (in thousands)			
	2022		2021	
Bond Investment Funds				
Three Year Targeted Duration Fund	$	2,892	$	2,787
Eight Year Targeted Duration Fund		4,337		4,935
Fifteen Year Targeted Duration Fund		3,632		4,980
Twenty plus Year Targeted Duration Fund		1,111		2,482
Total Bond Investment Funds	$	11,972	$	15,184

The investment funds have no fixed distribution rate. Returns are based on the success of the fund managers.

(b) Short-term Investments

Short-term investments are comprised of pooled money market funds. The Plan's investment policy states that these investments must meet the minimum investment standard of R-1 or equivalent as rated by a recognized bond rating agency operating in Canada, at the time of purchase.

(c) Equity Investment Funds

The Plan owns units in Canadian, United States and Non-North American equity investment funds that have no fixed distribution rate. Fund returns are based on the success of the fund managers.

(d) Fair Value Hierarchy

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:

	2022 (in thousands)							
	Level 1		Level 2		Level 3		Total	
Short-term	$	-	$	1,058	$	-	$	1,058
Bond Fund		-		11,972		-		11,972
Mortgage Fund		-		-		4,264		4,264
Equities		4,436		-		-		4,436
Total	$	4,436	$	13,030	$	4,264	$	21,730

No investments were transferred between levels during the year.

2021 (in thousands)								
	Level 1		Level 2		Level 3		Total	
Short-term	$	-	$	1,178	$	-	$	1,178
Bond Fund		-		15,184		-		15,184
Mortgage Fund		-		-		5,289		5,289
Equities		5,570		-		-		5,570
Total	$	5,570	$	16,362	$	5,289	$	27,221

Fair Value measurement using level 3 inputs:

	(in thousands)			
	2022		**2021**	
	Mortgage Fund		**Mortgage Fund**	
Balance at January 1, 2022	$	5,289	$	5,121
Purchases		232		233
Sales		(1,000)		-
Loss				
Realized		(25)		-
Unrealized		(232)		(65)
Balance at December 31, 2022	$	4,264	$	5,289

5. Due from General Revenue Fund

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

6. Financial Risk Management

The nature of the Plan's operations results in a statement of financial position that consists primarily of financial assets and liabilities. 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 SGI Board of Directors. The investment policy provides guidelines to the Plan's investment managers for the asset mix of the portfolio and regarding quality and quantity of fixed income and equity investments. 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.

Credit Risk
The Plan's credit risk arises primarily from certain investments. The maximum credit risk to which it is exposed is limited to the carrying value of the financial assets summarized as follows:

	(in thousands)	
	2022	**2021**
Investments[1]	$ 17,294	$ 21,651
Due from General Revenue Fund	76	81

[1]Includes short-term investments and bonds and mortgage funds.

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

Credit risk within investments is primarily related to the short-term investments, bond investment funds and mortgage investment funds. It is managed through investment policies that limit investments to those of high quality along with limits to the maximum notional amount of exposure with respect to any one issuer. Short-term investments are limited to a minimum R-1 rating. The bond investment funds have investment policies that limit the investment in bonds and debentures to those with a minimum BBB rating, of which, only 15% can be BBB rated. In addition, an individual corporate issuer will not exceed 5% of the bond investment fund and there are no holdings from one issuer, other than the Government of Canada or a Canadian province, over 10% of the market value of the combined bond investment funds and short-term investment portfolios. The mortgage investment fund is subject to credit risk as its value is impacted by the credit risk of the underlying mortgages. This risk is limited by restrictions within its investment policy, which include single loan limits, and diversification by property type and geographic regions within Canada.

The Plan's investment policy limits the combined equity, fixed income and short-term holdings of a single investee or related group of investees to 10% of the combined market value of the Plan's investments.

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 bond investment funds, mortgage investment funds and short-term investments. It is estimated that a 100-basis point increase in interest rates would decrease net assets available for benefits by $1.3 million at December 31, 2022 (2021 - $2.0 million) while a 100-basis point decrease in interest rates would increase net assets available for benefits by $1.3 million at December 31, 2022 (2021 - $2.0 million).

Foreign Exchange Risk
The Plan is exposed to foreign exchange risk on its U.S. equity and Non-North American equity investment funds. The investment policy defines maximum limits to exchange rate sensitive assets within the investment portfolio. The following table indicates the exposure to exchange rate sensitive assets and provides the sensitivity to a 10% appreciation/depreciation in the Canadian dollar and the corresponding decrease/increase in net assets available for benefits:

		Current Exposure (%)		10% Change in Exchange Rates (thousand of $)	
	Maximum	December 31		December 31	
Asset Class	(%)	2022	2021	2022	2021
US Equities	14.0	6.0	6.2	$ 131	$ 169
Non-North American Equities	14.0	6.2	6.1	136	165

No more than 20% of the market value of a bond investment fund shall be invested in bonds of foreign issuers, however, such bonds must be denominated and payable in Canadian dollars. As such, the Plan is not subject to foreign exchange risk in its fixed income investments.

Equity Price Risk
The Plan is exposed to changes in equity prices in Canadian, U.S. and Non-North American markets. Equity investment funds comprise 20.4% (2021 – 20.5%) of the carrying value of the Plan's total investments. Equity investment funds are diversified by geography, industry type and corporate entity. No one investee or related group of investees represents greater than 10% of the market value of an equity investment fund. As well, no one holding of an investment fund represents more than 10% of the voting shares of any corporation.

The Plan's equity price risk is assessed using Value at Risk (VaR), a statistical technique that measures the potential change in an equity asset class. The following calculations are based on volatility over a four-year period, using a 95% confidence level. As such, it is expected that the annual change in the portfolio market value will fall within the range outlined in the following table 95% of the time (19 times out of 20 years).

	(thousand of $)			
Asset Class		**2022**		**2021**
Non-North American Investment Fund	+/-	408	+/-	406
Canadian Investment Fund	+/-	547	+/-	650
US Investment Fun	+/-	404	+/-	423

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.

7. Investment Performance

The Plan's long-term investment performance objective is to prudently manage investments to assist in achieving a fully-funded status, without excessive exposure to funding and contribution volatility. Continued growth remains a consideration in funding the liabilities associated with the active members, improving the Plan's funded status, as well as to provide ad hoc benefit increases to offset the impact of inflation. Based on these factors, the Plan can assume a low to moderate level of investment risk to achieve its investment objectives. Accordingly, a diversified long-term asset mix strategy, incorporating a liability driven approach for a portion of the assets has been adopted.

The investment managers make day-to-day decisions on whether to buy or sell specific investments in order to achieve the long-term investment performance objectives established in the investment policy. It is these long-term investment performance objectives that are used to assess the performance of the investment manager.

The investment performance of the Plan is monitored against the performance of the benchmark portfolio over rolling four-year periods.

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

	Annual Return		Rolling Four-Year Average Annual Return	
	2022	2021	2022	2021
Actual Rate of Return	-11.0%	3.2%	3.1%	6.1%
Target Rate of Return	-10.8%	0.8%	1.8%	5.2%

8. Pension Obligations

The present value of pension obligations was determined using the projected benefit method prorated on service and management's best estimate assumptions. AON performed the actuarial valuation as at December 31, 2019 and extrapolated it to December 31, 2022 for accounting purposes. The next valuation will take place in 2023 with an effective date of December 31, 2022.

Measurement of the present value of pension obligations is uncertain, as estimates must be made of future interest rates, inflation rates and post-retirement index rates. For purposes of this actuarial valuation long-term assumptions used include:

Economic Assumptions	**2022**	**2021**
Discount Rate – Beginning of Period	2.70%	2.20%
Discount Rate – End of Period	5.00%	2.70%
Expected Return on Plan Assets	5.00%	2.70%
Inflation Rate	2.00%	2.00%
Expected Salary Increase	N/A	N/A
Remaining Service Life of Active Members in Years (EARSL)	N/A	N/A

The following table shows the change in the pension obligations if certain key assumptions were modified:

Assumption	Change Made	Change in Pension Obligations ($000)	Change in Pension Obligations (%)
1. Discount rate	+ 1%	($1,453)	(7.1%)
	- 1%	$1,681	8.2%
2. Post-retirement Indexing	+ 10% of CPI	$278	1.4%
	- 10% of CPI	N/A	N/A

The fair value of the pension obligations has not been determined, as it is impracticable to determine it with sufficient reliability.

9. Administration Expenses

As of January 1, 2020, all of the Plan's administration expenses are paid through the PEBA Revolving Fund except for investment manager fees and custodial fees which are paid directly by the Plan.

(in thousands)

	2022	2021
Audit Fees	$ 23	$ 27
Actuarial Fees	26	13
Investment Consulting Fees	22	18
Administration Costs	45	47
Investment Manager Fees	25	32
Custodial Fees	9	10
	$ 150	$ 147

10. 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.

Certain administration expenses are paid by the Plan to the Public Employees Benefits Agency Revolving Fund based upon agreed exchange amounts. The amounts are identified in Note 9. The Plan has an accounts payable balance as at December 31, 2022 of $42,143 (2021 – $28,691) due to the PEBA Revolving Fund.

Other related party transactions are described separately in the notes.

11. Fair Values

The fair value of financial assets and liabilities, other than investments (note 4) and pension obligations (note 8) approximate carrying value due to their immediate or short-term nature.