2020 Draft Financial Statements

Superannuation Plans

CITY OF SASKATOON
GENERAL SUPERANNUATION PLAN
FINANCIAL STATEMENTS
December 31, 2020

Deloitte.

Deloitte LLP
Suite 400
122 1st Avenue South
Saskatoon SK S7K 7E5
Canada

Tel: 306-343-4400
Fax: 306-343-4480
www.deloitte.ca

Independent Auditor's Report

To the Board of Trustees of
City of Saskatoon General Superannuation Plan

Opinion

We have audited the financial statements of City of Saskatoon General Superannuation Plan (the "Plan"), which comprise the statement of financial position as at December 31, 2020, and the statements of changes in net assets available for benefits and changes in pension obligations for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively 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, 2020, 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 ("ASPP").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 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.

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 ASPP, 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.

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 GAAS 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 GAAS, 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 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 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 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 that we identify during our audit.

Chartered Professional Accountants
Saskatoon, Saskatchewan
xx, 2021

CITY OF SASKATOON

GENERAL SUPERANNUATION PLAN

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31

(in thousands of dollars)	2020	2019
ASSETS		
Accounts Receivable		
Sponsor's contributions (note 9)	2,092	2,120
Investment income	2,615	1,721
Other	23	19
	4,730	3,860
Investments (note 3)	973,870	925,403
	978,600	929,263
LIABILITIES		
Operating Bank Account	2,618	3,154
Accounts Payable	566	661
Unsettled Investment Purchases	2,144	
	5,328	3,815
NET ASSETS AVAILABLE FOR BENEFITS	973,272	925,448
Commitments (note 5)		
PENSION OBLIGATIONS (note 6)	916,059	882,144
PENSION SURPLUS (DEFICIT)	57,213	43,304

The accompanying notes are an integral part of the financial statements.

CITY OF SASKATOON
GENERAL SUPERANNUATION PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED DECEMBER 31

(in thousands of dollars)	2020	2019
INCREASE IN ASSETS		
Investment Income (note 3)	32,562	29,937
Gain (loss) in fair value of investments (note 3)	31,403	72,862
	63,965	102,799
Employee Contributions - current and past service	17,999	17,176
Employer Contributions (note 9)	17,721	16,877
Transfers from Other Plans	711	1,017
	36,431	35,070
	100,396	137,869
DECREASE IN ASSETS		
Retirement Benefits Paid	44,708	42,623
Death Benefits Paid	131	1,584
Refund of Contributions	1,222	2,066
Transfers to Other Plans	2,454	3,895
Administration Expenses (notes 8 and 9)	4,057	3,989
	52,572	54,157
CHANGE IN ASSETS AVAILABLE FOR BENEFITS	47,824	83,712
NET ASSETS AVAILABLE FOR BENEFITS - BEGINNING OF YEAR	925,448	841,736
NET ASSETS AVAILABLE FOR BENEFITS - END OF YEAR	973,272	925,448

The accompanying notes are an integral part of the financial statements.

CITY OF SASKATOON
GENERAL SUPERANNUATION PLAN
STATEMENT OF CHANGES IN PENSION OBLIGATIONS
FOR THE YEAR ENDED DECEMBER 31

(in thousands of dollars)	2020	2019
INCREASE IN PENSION OBLIGATIONS		
Interest accrued on benefits	54,252	52,397
Accrued pension benefits	27,467	25,698
Change in actuarial assumptions	-	16,633
	81,719	94,728
DECREASE IN PENSION OBLIGATIONS		
Benefit payments and transfers	47,804	49,151
Change in actuarial assumptions	-	-
Experience gains	-	6,850
	47,804	56,001
NET INCREASE IN PENSION OBLIGATIONS	33,915	38,727
PENSION OBLIGATIONS - BEGINNING OF YEAR	882,144	843,417
PENSION OBLIGATIONS - END OF YEAR	916,059	882,144

The accompanying notes are an integral part of the financial statements.

CITY OF SASKATOON
GENERAL SUPERANNUATION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(in thousands of dollars)

1. DESCRIPTION OF THE PLAN

The following description of the City of Saskatoon General Superannuation Plan (the "Plan") is a summary only. For more complete information, reference should be made to the Plan Agreement in the City of Saskatoon Bylaw 8226.

(a) General
The Plan is a contributory defined benefit pension plan covering all employees of the City of Saskatoon, except those employees covered under the Police, Firefighters and Seasonal/Part-Time Superannuation Plans, and those members listed in the Plan Bylaw. Under the Plan, contributions are made by the Plan members and the City of Saskatoon. The Plan is registered under The Pension Benefits Act, 1992 (Saskatchewan): registration #0234237.

(b) Funding Policy
The Pension Benefits Act, 1992 (Saskatchewan) requires that the City of Saskatoon, being the Plan sponsor, must fund benefits determined under the Plan. The determination of the value of these benefits is made on the basis of the most recently filed actuarial valuation (see note 6). The Funding Policy is described in note 7.

(c) Service Pensions
A service pension is normally available based on the number of years of contributory service times 1.4% or 2% of a member's average earnings for a determined period; and adjusted to 1.4% for earning eligible for Canada Pension Plan benefits for certain periods of past and future service. Early retirement options are available with reduced benefits in certain circumstances.

(d) Disability Provisions
Periods during which a member is in receipt of worker's compensation, sick bank or long-term disability insurance benefits count as contributory service. Earnings applied in the pension formula include deemed earnings for a member in receipt of such disability benefits.

(e) Death Benefits
In the event of death of an active member before retirement, the Plan provides for payment to the spouse of a married member or the designated beneficiary of a single member, equal to the greater of:
(i) two times the member's accumulated contributions with interest, or
(ii) the commuted value of the member's pension earned to the date of death.

(f) Survivors' Pensions
The normal form of pension provides that payments will be made to the member for the member's lifetime with 60% of the pension otherwise payable continuing to the surviving spouse upon the member's death. In any event, payments to the member and spouse are guaranteed to be made for at least 60 months.

(g) Termination Benefits
Upon termination of employment prior to becoming vested, a member will receive a refund of all their contributions with interest. Following vesting, the member will also receive the vested portion of the City of Saskatoon's contributions based upon service and earnings to the date of termination. Vesting occurs once a member completes two years of service.

(h) Income Taxes
The Plan is a Registered Pension Trust as defined in the Income Tax Act and is not subject to income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

These financial statements are prepared in accordance with Canadian accounting standards for pension plans as outlined in the Chartered Professional Accountants (CPA) Handbook, Section 4600, Pension Plans. Accounting Standards for Private Enterprises as set out in Part II of the CPA Canada Handbook, have been chosen for accounting policies that do not relate to the Plan's investment portfolio or pension obligations, to the extent that those standards do not conflict with the requirements of Section 4600. 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. These financial statements do not portray the funding requirements of the Plan or the benefit security of individual plan members.

These financial statements are presented in the Plan's functional currency, Canadian Dollars. The financial statements were authorized for issue by the Board of Trustees on June 16, 2021.

(b) Valuation of investment assets and liabilities

Investment assets and liabilities are stated at their fair values in the Statement of Financial Position. Fair value is the amount for which an asset can be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. If the financial instrument has a quoted price in an active market, the quoted price is the fair value of the financial instrument. If the market for a financial instrument is not active, fair value is established by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, that technique is used. A valuation technique incorporates all factors that market participants would consider in setting a price. Fair value is estimated on the basis of the results of a valuation technique that makes maximum use of market inputs and relies as little as possible on entity-specific inputs.

Fair Value Hierarchy

Investment assets and investment liabilities are classified and disclosed in one of the following categories reflecting the significance of inputs used in making the fair value measurement:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

If different levels of inputs are used to measure the fair value of an investment, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. See Note 4(vii) for this disclosure.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Trade date accounting
Purchases and sales of financial instruments are recorded on their trade dates.

(d) Investment income and changes in fair value of investments
Income from investments in money market instruments, bonds, equities, and pooled funds are recorded separately from the change in fair value of such investments as investment income in the Statement of Changes in Net Assets Available for Benefits. Interest, dividends, and distributions from pooled funds are recorded on the accrual basis. Dividend income is accrued as of the ex-dividend date.

The change in fair value of investments includes both the realized gains and losses on the sale of investments during the year and the unrealized gains and losses on investments at the end of the year. The realized and unrealized gains and losses are determined using the average cost basis.

(e) Transaction costs
All transaction costs in respect of purchases and sales of investments are expensed as part of purchase or sale transaction in the Statement of Changes in Net Assets Available for Benefits.

(f) Foreign Exchange
Transactions denominated in foreign currencies are translated into Canadian dollars at the rates of exchange in effect on the dates of the transactions. At each reporting date, the market value of foreign currency denominated assets and liabilities is translated using the rates of exchange at that date. The resulting gains and losses from changes in these rates are recorded as part of the change in fair value of investments in the Statement of Changes in Net Assets Available for Benefits.

(g) Contributions
Contributions due to the Plan are recorded on an accrual basis. Transfers to the Plan and purchases of prior service are recorded when cash is received.

(h) Benefits
Payments of pensions, refunds, and transfers out of the Plan are recorded in the period in which they are paid.

(i) Pension obligations
The value of accrued pension benefits payable in the future to members and changes therein during the year are based on an actuarial valuation prepared by an independent firm of actuaries. This valuation for accounting purposes is made as at year end. It uses the projected benefit method pro-rated on service and best estimate assumptions, as at the valuation date, of various economic and non-economic future events. The differences between the financial statement surplus/deficit resulting from this accounting valuation and the regulatory surplus/deficit resulting from the triennial valuation for funding purposes is explained in note 6.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Use of Estimates
Preparation of the financial statements requires management to make estimates and assumptions, based on the information available as at the date of the financial statements, which affect the reported values of assets and liabilities, and related income and expenses. Such estimates and assumptions affect primarily the value of recorded pension obligations and the fair value of investment assets. Actual results could differ from those presented.

In addition, preparation of the financial statements requires the administrator to make accounting judgments that affect the application of Section 4600 and ASPE to the reported amounts of assets and liabilities, and related income and expenses. Areas of significant accounting judgment include the actuarial valuation deficit.

3. INVESTMENTS

Management of Capital

The Plan receives funding from monthly contributions by active members and the Plan Sponsor, and from income earned on its investments. The objective of the Plan is to provide sufficient cash flow to meet current pension payments, and to grow its assets to meet future pension obligations.

The Board of Trustees has established a Statement of Investment Policies & Goals (SIP&G) for managing the Plan's investment assets. Responsibility for enacting and monitoring the policy is delegated to an Investment Committee. The investment managers appointed by the Plan are directed to achieve a satisfactory long-term real rate of return through a diversified portfolio within their mandate, consistent with acceptable risks and prudent management. To achieve this long-term investment goal, the Plan has adopted an asset mix that has a bias to equity investments. Risk is controlled by investing in a well-diversified portfolio of asset classes, including Canadian and foreign equities, as well as by maintaining a substantial fixed-income exposure.

(in thousands of dollars)

3. INVESTMENTS (continued)

Taking into consideration the investment and risk philosophy of the Plan, the following asset mix has been established:

Assets (as a % of market value)	Minimum %	Benchmark %	Maximum %
Equities			
Canadian equities	13	16.5	20
U.S. equities	6.5	8	9.5
Non-North American equities	5	6.5	8
Global equities	10.5	14	17.5
Total Equities		45	
Private Equities	0	5	10
Private Infrastructure Equities	0	10	15
Real Estate	8	10	15
Fixed Income			
Canadian Bonds	10	15	20
Canadian Mortgages	2	6	10
Private Infrastructure Debt	2	4.5	7
Private Debt	2	4.5	7
		30	
Short-term investments	0	0	10
Total Fund		100	

(in thousands of dollars)

3. INVESTMENTS (continued)

The following table shows the fair market value and cost of the Plan's investments at year end as well as the investment income earned during the year and the current-year change in fair value, which includes realized and unrealized gains and losses:

	As at and for the year ended December 31, 2020				
	Fair Value	Cost	Current-year change in fair value	Investment Income	Total return
Cash	$ 2,838	$ 2,838	$ -	$ -	$ -
Short-term investments	5,318	5,318	417	53	470
	8,156	8,156	417	53	470
Fixed income investments:					
Bond Pooled Funds	138,100	131,400	8,120	8,973	17,093
Mortgage Pooled Funds	58,908	57,317	1,495	1,859	3,354
Private Infrastructure Debt Pooled Funds	44,455	43,879	2,858	1,579	4,437
Private Debt Pooled Funds	46,634	43,037	2,380	1,503	3,883
	288,097	275,633	14,853	13,914	28,767
Equities:					
Canadian equities	179,058	136,637	(5,209)	4,851	(358)
U.S equities	95,706	132,308	11,730	1,872	13,602
Non-North American equities	79,128	67,607	5,854	1,160	7,014
Global equities	163,566	196,768	2,518	4,835	7,353
	517,458	533,320	14,893	12,718	27,611
Real Estate Pooled Funds	95,625	88,878	(4,099)	3,273	(826)
Private Equity Pooled Funds	43,491	24,258	6,833	708	7,541
Private Infrastructure Equity	21,043	22,531	(1,494)	1,896	402
	$ 973,870	$ 952,776	$ 31,403	$ 32,562	$ 63,965

	As at and for the year ended December 31, 2019				
	Fair Value	Cost	Current-year change in fair value	Investment Income	Total return
Cash	$ 21,721	$ 21,721	$ -	$ -	$ -
Short-term investments	4,316	4,316	(2)	60	58
	26,037	26,037	(2)	60	58
Fixed income investments:					
Bond Pooled Funds	134,699	134,303	4,889	4,040	8,929
Mortgage Pooled Funds	55,554	55,459	39	2,011	2,050
Private Infrastructure Debt Pooled Funds	37,904	39,260	(1,088)	1,725	637
Private Debt Pooled Funds	42,750	41,601	1,450	1,530	2,980
	270,907	270,623	5,292	9,306	14,598
Equities:					
Canadian equities	176,242	126,486	21,916	4,876	26,792
U.S equities	86,023	131,411	17,760	3,473	21,233
Non-North American equities	73,501	67,314	11,291	2,150	13,441
Global equities	159,125	195,778	9,245	6,089	15,334
	494,891	520,989	60,212	16,588	76,800
Real Estate Pooled Funds	97,563	86,716	4,042	3,435	7,477
Private Equity Pooled Funds	36,005	19,896	3,318	548	3,866
	$ 925,403	$ 924,262	$ 72,862	$ 29,937	$ 102,799

3. INVESTMENTS (continued)

Cash and short-term investments are primarily securities issued by federal and provincial governments, Canadian chartered banks, and corporations with maturities under one year.

The fair value of fixed income investments is based on quoted bid prices in an active market, when available. When quoted market prices in an active market are not available, the fair value is based on a valuation technique, being the present value of the principal and interest receivable discounted at appropriate market interest rates.

Equities represent securities issued by entities that are traded on the TSX or other stock exchanges. Fair value is based on the quoted bid prices as of December 31.

Pooled funds do not have a quoted price in an active market. Fair value is based on net asset values, obtained from the managers of the funds, which are determined with reference to the fair value of the underlying investments of each fund.

4. INVESTMENT RISK

Risk Policy, Credit, Interest Rate, Foreign Currency, Equity Price and Liquidity Risk

(i) Risk Policy

The value of the Plan's assets is affected by short-term changes in interest rates and equity markets. Interest rate changes directly impact the value of fixed income securities. Interest rates, along with inflation and salary escalation, also impact the Plan's pension obligations. The Plan manages these risks through the establishment of an appropriate asset mix. The investment policy of the Plan states that assets should be prudently managed to assist in avoiding actuarial deficits and excessive volatility in annual rates of return.

The Plan's risk philosophy is that to achieve long-term investment goals, the Plan must invest in assets that have uncertain returns, such as Canadian equities, foreign equities, private equities, real estate, and non-government bonds. The Plan has adopted an asset mix that has a bias to equity investments. The Board of Trustees attempts to reduce the overall level of risk by diversifying the asset classes and further diversifying within each individual asset class.

The Plan has an above average risk tolerance. As a result, an investment philosophy with an equity bias has been adopted. The overall risk posture of the Plan is influenced by demographics as well as the funded position of the Plan.

The Plan's investment policy contains specific performance objectives for the fund and for the investment managers. The primary objective is to outperform a benchmark portfolio over moving four-year periods. The benchmark portfolio includes several key market indices including the S&P/TSX Composite Capped Index, the S&P 500, the S&P 500H, MSCI EAFE Index, IPD Canadian Property Index, DEX Universe Bond Index and 91-day T-Bills. A secondary objective is to exceed the benchmark index in each of the asset classes in which the investment manager invests.

(in thousands of dollars)

4. INVESTMENT RISK (continued)

(ii) Credit risk

Credit risk arises from the potential for an investee to fail or default on its contractual obligations to the Plan. The Plan manages these risks through credit quality limits defined in the Plan's Statement of Investment Policies and Goals. Within the fixed income portfolio, credit exposure is mitigated by establishing a minimum credit quality for debt securities of investment grade (which includes bonds rated AAA, AA, A and BBB or equivalent as rated by an independent rating agency, or a rated internally for mortgages and private debt). A maximum of 6% of the fixed income portfolio is permitted in debt securities rated lower than BBB. In addition to ensuring diversification by major asset class, exposure to individual corporate entities is also restricted within the Plan's Statement of Investment Policies and Goals to 10% of the value of individual equity and bond portfolios as well as at the total portfolio level.

Investment Portfolio Concentration:	2020		2019	
	$	%	$	%
Federal securities & guarantees	21,081	7.3%	40,860	15.1%
Provincial securities & guarantees	46,364	16.1%	37,450	13.8%
Corporate securities	187,922	65.2%	178,588	65.9%
Other	32,730	11.4%	14,009	5.2%
	288,097	100.0%	270,907	100.0%
Credit Rating				
AAA	18,843	6.5%	40,054	14.8%
AA	51,261	17.8%	47,474	17.5%
A	67,062	23.3%	57,167	21.1%
BBB	54,700	19.0%	48,698	18.0%
Non-investment grade	15,365	5.3%	2,294	0.9%
Not rated	80,866	28.1%	75,220	27.7%
	288,097	100.0%	270,907	100.0%

(iii) Interest Rate Risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's cash flows and financial position. This risk is the differences arising from the timing and amount of cash flows related to the Plan's assets and liabilities.

Investments that bear fixed rates of interest are most sensitive to changes in interest rates. The Plan holds 29.7**%** (2019 – 29.3%) of its assets in investments that bear fixed rates of interest. These investments are held in pooled funds. The fixed income portfolio sensitivity to interest rate changes was estimated using the weighted average duration of the pooled funds' portfolios. The table below illustrates the potential impact on the Plan's net assets if the nominal interest rates changed by 1% (100 basis-points):

	2020	2019
Impact on Value	7.00%	6.75%
Fixed income portfolio Value	$ 288,097	$ 270,907
1% increase in rate	(20,168)	(18,286)
1% decrease in rate	20,168	18,286

(in thousands of dollars)

4. INVESTMENT RISK (continued)

(iv) Foreign Currency Risk

The Plan is exposed to foreign currency risk through holding of foreign equities where the investment values may fluctuate due to changes in foreign exchange rates. The Plan manages and estimates the foreign currency risk by focusing on equity distribution by country invested in. The policy limits foreign currency exposure of bond investments to 10% of market value of the bond portfolio. The exposure to US currency is net of investments in pooled funds where the US currency is hedged. On December 31, the Plan's most significant foreign currency exposure was:

	2020	2019
Foreign Currency	Exposure in CAD	
U.S. Dollars	$ 230,465	$ 174,652
Euros	62,671	65,217
Pounds Sterling	21,442	28,613
Japanese Yen	33,991	26,969
Swiss Franc	14,528	18,434
Other	39,141	28,520
	$ 402,238	$ 342,405

A 1% increase or decrease in the above foreign exchange rates relative to the Canadian Dollar would have the following impact on the fair value of the Plan's investments:

	2020	2019
Foreign Currency	Exposure in CAD	
U.S. Dollars	$ +/- 2,305	$ +/- 1,747
Euros	627	652
Pounds Sterling	214	286
Japanese Yen	340	270
Swiss Franc	145	184
	$ +/- 3,631	$ +/- 3,139

(v) Equity Price Risk

Equity price risk is the risk that the fair value or future cash flows of an equity investment will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual equity instrument, or factors affecting similar equity instruments traded in the market.

(in thousands of dollars)

4. INVESTMENT RISK (continued)

(v) Equity Price Risk *(continued)*

The investment portfolio is directly exposed to equity price risk in respect of its publicly traded equities which total $517,458 at December 31, 2020 (2019 - $494,891). A 1% increase or decrease in the market price of the Plan's publicly traded equities portfolio would impact the fair value of investments as follows:

	December 31			
	2020		2019	
Public Equity Market	Increase	Decrease	Increase	Decrease
Canadian	$ 1,791	$ (1,791)	$ 1,764	$ (1,764)
U.S.	957	(957)	860	(860)
Non-North American	791	(791)	735	(735)
Global	1,635	(1,635)	1,591	(1,591)
	$ 5,174	$ (5,174)	$ 4,949	$ (4,949)

(vi) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Plan's Statement of Investment Policies and Goals sets out requirements for the Plan to maintain an adequate amount of liquid assets with varying maturities in order to ensure that the Plan can meet all of its financial obligations as they fall due.

As at December 31, 2020, the Plan has total financial liabilities of $5,327 (2019 - $3,815) consisting of accounts payable and bank indebtedness that will generally be settled within 90 days of the year end.

As at December 31, 2020, the Plan held cash and short-term investments totalling $8,156 (2019 – $26,037) which are readily available to settle such obligations. Other of the Plan's assets are traded in active markets and can be easily converted to cash to cover such obligations.

(in thousands of dollars)

4. INVESTMENT RISK (continued)

(vii) Fair value hierarchy

	Level 1	Level 2	Level 3	Balance as at December 31, 2020
Equities	$ 172,154	$ 345,305	$ 160,158	$ 677,617
Fixed Income Securities	-	197,008	91,089	288,097
Cash and Short-term Instruments	7,445	711	-	8,156
	$ 179,599	$ 543,024	$ 251,247	$ 973,870

	Level 1	Level 2	Level 3	Balance as at December 31, 2019
Equities	$ 170,278	$ 324,613	$ 133,568	$ 628,459
Fixed Income Securities	-	190,253	80,654	270,907
Cash and Short-term Instruments	24,594	1,443	-	26,037
	$ 194,872	$ 516,309	$ 214,222	$ 925,403

There were no significant transfers of investments between Level 1 and Level 2 during 2020 or 2019.

Following is a reconciliation of the fair value of investments measured at fair value using Level 3 fair value measurements:

	2020	2019
Fair Value, Beginning of Year	$ 214,222	$ 206,987
Transfers to (from) level 3 for purchases	24,403	(6,660)
Investment income, net of fees	6,145	6,172
Current-year change in fair value	6,478	7,723
Fair Value, End of Year	$ 251,248	$ 214,222

5. COMMITMENTS

The Plan has committed to enter into investment transactions, which may be funded over the next several years in accordance with the terms and conditions agreed to. As at December 31, 2020, these potential unfunded commitments totalled $16,676 (2019: $49,800). The Plan has sufficient liquidity to meet these commitments as they come due.

(in thousands of dollars)

6. PENSION OBLIGATIONS

An actuarial valuation was prepared as of December 31, 2020 by Aon Hewitt, a firm of consulting actuaries. The last actuarial valuation filed with the Provincial Financial and Consumer Affairs Authority (FCAA) was prepared as of December 31, 2019. The next actuarial valuation required to be filed with FCAA will be prepared as of December 31, 2021.

The Statement of Changes in Pension Obligations displays the actuarial present value of benefits as at December 31, 2020. The assumptions used in determining the actuarial value of accrued pension benefits were developed by reference to expected long-term market conditions. Significant long-term actuarial assumptions used in the valuation were:

	2020	2019
Asset rate of return	5.90%	6.15%
Discount rate	5.90%	6.15%
Salary escalation rate	3.00% + merit	3.00% + merit
Inflation rate	2.25%	2.25%
Mortality	MI-2017 Table	MI-2017 Table

Changes in actuarial assumptions between 2020 and 2019 resulted in an increase in the pension obligations of $0 (2019 – increase of $16,633).

Experience gains and losses represent the change in pension obligations due to the difference between actual economic and demographic experience and expected experience. During 2020, experience gains were $0 (2019 – gain of $6,850).

The pension obligation is not considered to be a financial instrument; however, the actuarial valuation of the pension obligations is sensitive to changes in long-term interest rates. A 0.5% (50 basis-point) increase or decrease in the discount rate assumption would have the following impact on the value of the pension obligations:

	2020	2019
Pension Obligations	$ 916,059	$ 882,144
0.50% increase in rate	0	(53,353)
0.50% decrease in rate	0	59,613

(in thousands of dollars)

6. PENSION OBLIGATIONS (continued)

The pension obligations determined by the actuary is the best estimate of the pension obligations as at the date of these financial statements. The resulting pension surplus or deficit is the difference between the net assets of the pension plan and the pension obligations. This surplus or deficit may differ from the surplus or deficit calculated on a going-concern funding basis. Actuarial smoothing of assets and provision for adverse deviations from actuarial assumptions (margin) are the two reasons for the difference. Asset smoothing is the result of amortizing the difference between the expected rate of return on assets and the actual return on assets over a period of five years. The provision for adverse deviations provides for the possibility that assumptions made in the actuarial valuation, such as life longevity, retirement age, inflation, etc., is experienced in the future at different rates than assumed. It is calculated as a percentage of pension obligations at the end of the year.

	2020	2019
Surplus (deficit) for funding	$ 0	$ (28,332)
Actuarial smoothing adjustment	0	11,952
Provision for adverse deviations	0	59,684
Surplus (deficit) for financial statements	0	43,304

7. FUNDING POLICY

The Plan is jointly funded by active employees, and the City of Saskatoon as Plan Sponsor. The contribution rates are determined on the recommendation of the Plan's Actuary in its actuarial valuation as filed with the Financial and Consumer Affairs Authority of Saskatchewan. The most recent actuarial valuation for funding purposes was prepared by Aon Hewitt as of December 31, 2020 and a copy of this valuation was filed in 2021. The Pension Benefits Act, 1992 (Saskatchewan) requires that an actuarial certificate be filed with Financial and Consumer Affairs Authority at least every three years, or earlier if the plan is significantly amended. The next actuarial valuation that must be filed will be for the year ended December 31, 2023 and must be filed before September 30, 2024.

In accordance with the Plan, and agreements between the employee groups and the Plan Sponsor, employees are required to make contributions to the Plan's Fund and the Plan Sponsor is to make a matching contribution plus all other amounts as are determined necessary by the Actuary to maintain the Fund at a level to meet the minimum funding requirements prescribed by Applicable

(in thousands of dollars)

7. FUNDING POLICY (continued)

Legislation. Members may also make certain voluntary contributions and exercise pension buybacks for which the Sponsor has no obligation to match. For the 2020 and 2019 fiscal years and subsequent years the following contribution rates have been recommended:

	Year	Salary below the YMPE *	Salary above the YMPE *
Member contribution rate	2018	8.4%	10.0%
	2019	8.4%	10.0%
	2020	8.4%	10.0%

* The year's maximum pensionable earnings (YMPE) were $58,700 in 2020 and $57,400 in 2019.

For 2015 and subsequent years the Plan Sponsor and the employee groups have an Agreement in Principal to allow temporary increases in contribution rates while the employee groups and the Plan Sponsor negotiate benefit changes that will ensure the sustainability of the Plan with a total blended (combined above and below YMPE) contribution rate of 18% to be shared equally between the active members and the Plan Sponsor.

8. ADMINISTRATION EXPENSES

The Plan pays additional administrative expenses on behalf of the Board of Trustees in order to administer the Plan.

	2020	2019
Investment management fees	$ 3,438	$ 3,367
Pension administration	275	270
Actuarial fees	82	72
Other administration	262	280
	$ 4,057	$ 3,989

9. RELATED PARTIES

The City of Saskatoon is the Plan Sponsor and makes contributions to the Plan matching those of the Plan members. The City also provides administration services to the Plan with the Plan making payment for those services according to a formula set out in the Plan Bylaw. These transactions occurred in the normal course of operations and were measured at the exchange amount, which is the consideration established and agreed to by the related parties. During the year, the following transactions were recorded between the Plan and the City of Saskatoon:

	2020	2019
Plan Sponsor's contributions	$ 17,721	$ 16,877
Administration expenses	275	270
Receivable from Plan Sponsor	2,092	2,120

10. SUBSEQUENT EVENT – COVID-19

The COVID-19 pandemic declared in early 2020 has brought forth changes and challenges to all aspects of society and the economy worldwide. For calendar year end 2020 financial statements, economic uncertainties have arisen which may negatively impact the Plan's assets and investment returns though the potential impact, especially over the long term, remain unknown at this time.

The Board of Trustees reviewed the ongoing situation throughout the year and continuing on in 2021 at each quarterly board meeting. As well, consultations with external service providers have occurred and the Board continues to monitor and determine if any correction action is required. This event has been taken into consideration in setting the discount rate for the Plan's actuarial valuation for 2019 and 2020.

DRAFT Financial Statements of

CITY OF SASKATOON
DEFINED CONTRIBUTION PENSION PLAN FOR SEASONAL AND NON-PERMANENT PART-TIME EMPLOYEES

Year ended December 31, 2020

Independent Auditor’s Report

To the Board of Trustees of
City of Saskatoon Defined Contribution Pension Plan for Seasonal and Non-Permanent Part-Time Employees

Opinion

We have audited the financial statements of City of Saskatoon Defined Contribution Pension Plan for Seasonal and Non-Permanent Part-Time Employees (the “Plan”), which comprise the statement of financial position as at December 31, 2020, and the statement of changes in net assets available for benefits for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively 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, 2020, and the changes in its net assets available for benefits for the year then ended in accordance with Canadian accounting standards for pension plans (“ASPP”).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards (“Canadian GAAS”). 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 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.

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 ASPP, 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.

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 GAAS 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 GAAS, 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 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 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 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 that we identify during our audit.

Chartered Professional Accountants
Saskatoon, Saskatchewan
June XX, 2021

CITY OF SASKATOON DEFINED CONTRIBUTION PENSION PLAN FOR SEASONAL AND NON-PERMANENT PART-TIME EMPLOYEES

DRAFT Statement of Financial Position
(in thousands of dollars)

As at December 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Cash	$ 27	$ -
Investments (note 3)	11,870	10,788
Contributions receivable		
Employee	18	10
Employer (note 4)	20	19
GST recoverable	2	2
	$ 11,937	$ 10,819
Liabilities		
Accounts payable and accrued liabilities	$ 6	$ 3
Bank indebtedness	-	139
Due to the Saskatoon General Superannuation Plan (note 4)	194	-
	200	142
Net assets available for benefits	$ 11,737	$ 10,677

See accompanying notes to financial statements.

Approved by:

____

____

CITY OF SASKATOON DEFINED CONTRIBUTION PENSION PLAN FOR SEASONAL AND NON-PERMANENT PART-TIME EMPLOYEES

DRAFT Statement of Changes in Net Assets Available for Benefits
(in thousands of dollars)

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Investments:		
Investment income and net realized gain on investments	$ 135	$ 123
Change in fair value:		
Change in net unrealized gains on investments	844	1,218
	979	1,341
Contributions (note 5):		
Employee contributions	535	422
Employer contributions (note 4)	533	422
	1,068	844
Increase in net assets before expenses and benefits	2,047	2,185
Expenses:		
Investment management fees	41	45
Administration	25	23
	66	68
Benefit payments:		
Retirement benefits	188	336
Refunds and transfers:		
Termination benefits	657	603
Death benefits	76	121
	733	724
Total expenses, payments and transfers	987	1,128
Increase in net assets	1,060	1,057
Net assets available for benefits, beginning of year	10,677	9,620
Net assets available for benefits, end of year	$ 11,737	$ 10,677

See accompanying notes to financial statements.

1. Description of the plan:

The following description of the City of Saskatoon Defined Contribution Pension Plan for Seasonal and Non-Permanent Part-Time Employees (the "Plan") is a summary only. For more information reference should be made the Plan Agreement.

a) General:

The Plan is a defined contribution pension plan covering certain part-time and seasonal employees of the City of Saskatoon. Under the Plan, contributions are made by the Plan members and the City of Saskatoon (the “Sponsor”). The Plan is registered under The Pension Benefits Act, 1992 (Saskatchewan) registration #06885529.

b) Funding policy:

The Plan requires that the City of Saskatoon contribute an amount equal to the amount that the member is required to contribute as disclosed in note 5.

c) Retirement benefits:

The benefit payable to a member is a life annuity provided by the sum of the amounts in their required account and City of Saskatoon account at the date of retirement in the form elected by the member that can be purchased from an insurance company.

d) Death benefit:

In the event of the death of an active member prior to retirement, an amount equal to the value of the member's required account plus City of Saskatoon account at the date of death is paid to the member's beneficiary.

e) Termination benefits:

Upon termination of employment, a member may transfer the value of the member required account and the value of the employer account to a Locked-In Retirement Account in accordance with the requirements of The Pension Benefits Act, 1992 (Saskatchewan).

f) Income taxes:

The Plan is a Registered Pension Trust as defined in the Income Tax Act and is not subject to income taxes.

2. Significant accounting policies:

(a) Basis of presentation:

These financial statements are prepared in accordance with Canadian accounting standards for pension plans. For matters not addressed in accounting standards for pension plans, International Financial Reporting Standards ("IFRS") have been adopted. These financial statements are prepared on a 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. These financial statements do not portray the funding requirement of the Plan or the benefit security of individual plan members.

The Plan is a defined contribution plan. For a defined contribution pension plan, pension benefits are determined by the sponsor's and employees' contributions and the performance of the plan. Actuarial valuations are not required as the pension obligation equals the net assets available for benefits.

The financial statements were authorized for issue by the Board of Trustees on _______, 2021.

(b) Financial assets:

On initial recognition, financial assets are classified as measured at amortized cost ("AC"), fair value through other comprehensive income ("FVOCI") or fair value through profit and loss ("FVTPL"). The Plan's financial assets are comprised of cash and investments.

Cash consists of balances held with financial institutions which have an initial term to maturity of three months of less and are classified at amortized cost. The cash balances are held with banks with high credit ratings. Accordingly the credit exposure to the Plan is nominal.

Investments are classified as FVTPL and carried at fair value in the statement of financial position.

(c) Fair value measurement:

Fair value is the amount for which an asset can be exchanged between knowledgeable, willing parties in an arm's length transaction. If the financial instrument has a quoted price in an active market, the quoted price is the fair value of the financial instrument. If the market for a financial instrument is not active, fair value is established by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another

2. Significant accounting policies: (continued)

(c) Fair value measurement (continued):

instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, that technique is used. A valuation technique incorporates all factors that market participants would consider in setting a price. Fair value is estimated on the basis of the results of a valuation technique that makes maximum use of market inputs, and relies as little as possible on entity-specific inputs.

Fair value hierarchy

Investment assets are classified and disclosed in one of the following categories reflecting the significance of inputs used in making the fair value measurement:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 - inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

If different levels of inputs are used to measure the fair value of an investment, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. See note 3 (g) for this disclosure.

(d) Trade date accounting:

Purchases and sales of financial instruments are recorded on their trade dates.

(e) Investment income and changes in fair value of investments:

Interest and dividends from investments are recorded separately from the change in fair value of such investments as investment income in the Statement of Changes in Net Assets Available for Benefits.

Realized and unrealized gains and losses are determined using the average cost basis.

2. Significant accounting policies: (continued)

(f) Foreign exchange:

Transactions denominated in foreign currencies are translated into Canadian dollars at the rates of exchange in effect on the dates of the transactions. At each reporting date, the market value of foreign currency denominated assets and liabilities is translated using the rates of exchange at that date. The resulting gains and losses from changes in these rates are recorded as part of the change in fair values of investments in the Statement of Changes in Net Assets Available for Benefits.

(g) Contributions:

Contributions due to the Plan are recorded on an accrual basis. Transfers to the Plan and purchases of prior service, if any, are recorded when cash is received.

(h) Benefits:

Payments of pensions, refunds and transfers out of the Plan are recorded in the period in which they are paid.

(i) Use of estimates:

Preparation of the financial statements requires management to make estimates and assumptions, based on the information available as at the date of the financial statements, which effect the reported value of assets and liabilities, and related income and expenses. Such estimates and assumptions affect primarily the value of investments. Actual results could differ from those presented.

(in thousands of dollars)

3. Investments:

iA Financial Group acts as the custodian of the investment accounts. They also perform the record keeping function and are responsible for the member booklets, retirement tools, member records, website access, member statements, etc. iA Financial Group is also the investment manager for the Bond Fund and the Balanced Fund, Jarislowsky Fraser Global Investment Management is the investment manager for the Canadian Equity Fund, PIMCO is the investment manager for the Core Plus Long Term Bond Fund and Beutel, Goodman & Company Limited is the investment manager for the Canadian Dividend Fund. Up until age 55, Plan participants are able to direct their contribution to the fund(s) of their choice whereas the contributions made by the City of Saskatoon are invested in the Diversified Fund. Once Plan participants reach age 55 they have the option to direct their contributions plus the City of Saskatoon contributions to the fund(s) of their choice.

Investments consist of units held in various investment funds (the "Funds"). These Funds include:

	2020	2019
Guaranteed Income Investments	$ 108	$ 153
Short Term Bond Fund	78	52
Bond Fund	105	52
Core Plus Long Term Bond Fund	23	17
Diversified Fund	11,200	10,206
Balanced Fund	4	6
Canadian Dividend Fund	24	18
Canadian Equity Growth Fund	18	11
Canadian Equity Fund	170	163
Fidelity True North R	21	10
International Equity Fund	56	45
U.S. Equity Fund	63	55
	$ 11,870	$ 10,788

a) Risk management:

The investment objective of most of the Plan is to achieve a long-term superior rate of return with moderate risk and also to provide long-term capital appreciation and income through a constant mix of stocks and bonds while managing short-term preservation of capital.

The Managers also maintain a governance structure that oversees the Funds' investment activities and monitors compliance with the Funds' stated investment strategy and securities regulations. In some cases, the Funds are advised by "sub-advisors".

3. Investments: (continued)

b) Credit risk:

Credit risk on financial instruments is the risk of a loss occurring as a result of the default of an issuer on its obligation to a Fund. Credit risk is managed by dealing with issuers that are believed to be creditworthy and by regular monitoring of credit exposures. Additionally, credit risk is reduced by diversification of issuer, industry and geography.

The investment portfolio of the Plan is directly exposed to credit risk in respect of its receivables and money market instruments and bonds within each Fund.

c) Foreign currency risk:

The Plan is exposed to foreign currency risk through any foreign securities held within the Funds where the investment values may fluctuate due to changes in foreign exchange rates.

d) Interest rate risk:

Changes in market interest rates expose fixed income securities such as bonds, treasury bills, commercial paper, bankers' acceptances and short-term income securities to interest rate risk. Funds that hold fixed income investments are exposed to this risk since changes in prevailing market interest rates will affect the value of fixed income securities.

e) Equity price risk:

Equity price risk is the risk that the fair value or future cash flows on an equity investment will fluctuate because of changes in market prices (other than those arising from interest rate risk and foreign currency risk), whether those changes are caused by factors specific to the individual equity instrument, or factors affecting similar equity instruments traded in the market.

The investment portfolio is exposed to equity price risk in respect of its investment in publicly traded stocks.

f) Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

As at December 31, 2020, the Plan holds mutual funds of $11,762 (2019 - $10,635). Unit holders of the Funds may redeem their units on each valuation date, and therefore, the Plan's investments in these Funds are traded in active markets and can be readily disposed of.

(in thousands of dollars)

3. Investments (continued):

g) Fair value hierarchy:

	Level 1	Level 2	Level 3	Balance at December 31, 2020
Guaranteed Income Investments	$ -	$ 108	$ -	$ 108
Short-term Bond Fund	78	-	-	78
Bond Fund	105	-	-	105
Core Plus Long Term Bond Fund	23	-	-	23
Diversified Fund	11,200	-	-	11,200
Balanced Fund	4	-	-	4
Canadian Dividend Fund	24	-	-	24
Canadian Equity Growth Fund	18	-	-	18
Canadian Equity Fund	170	-	-	170
Fidelity True North R	21	-	-	21
International Equity Fund	56	-	-	56
U.S. Equity Fund	63	-	-	63
	$ 11,762	$ 108	$ -	$ 11,870

(in thousands of dollars)

3. Investments (continued):

	Level 1	Level 2	Level 3	Balance at December 31, 2019
Guaranteed Income Investments	$ -	$ 153	$ -	$ 153
Short-term Bond Fund	52	-	-	52
Bond Fund	52	-	-	52
Core Plus Long Term Bond Fund	17	-	-	17
Diversified Fund	10,206	-	-	10,206
Balanced Fund	6	-	-	6
Canadian Dividend Fund	18	-	-	18
Canadian Equity Growth Fund	11	-	-	11
Canadian Equity Fund	163	-	-	163
Fidelity True North R	10	-	-	10
International Equity Fund	45	-	-	45
U.S. Equity Fund	55	-	-	55
	$ 10,635	$ 153	$ -	$ 10,788

There were no significant transfers of investments between Level 1 and Level 2 during 2020 and 2019.

4. Related party transactions:

During the year, the Plan received contributions from the City of Saskatoon, employer of plan members, in the amount of $533 (2019 - $422). Contributions receivable at December 31, 2020 includes $20 (2019 - $19) owing from the City of Saskatoon.

The Plan has an amount due of $194 (2019 – nil) to The Saskatoon General Superannuation Plan, an entity under common control, which is non-interest bearing and has no fixed terms of repayment.

These transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

5. Funding policy:

In accordance with the Plan Agreement, employees are required to contribute 5.8% of the portion of salary which is less than the earning ceiling under the Canada Pension Plan (CPP) and 7.4% of the excess salary. The City of Saskatoon is required to match employee contributions.

6. COVID-19:

The COVID-19 coronavirus pandemic declared in March 2020 has brought forth changes and challenges to all aspects of society and the economy worldwide. As a result of the pandemic, economic uncertainties have arisen which may negatively impact the Plan's assets and investment returns though the potential impact is unknown at this time. The Board continues to monitor and determine if any corrective action is required.

DRAFT Financial Statements of

CITY OF SASKATOON
FIRE AND PROTECTIVE SERVICES DEPARTMENT
SUPERANNUATION PLAN

Year ended December 31, 2020

Independent Auditor's Report

To the Board of Trustees of
City of Saskatoon Fire and Protective Services Department Superannuation Plan

Opinion

We have audited the financial statements of City of Saskatoon Fire and Protective Services Department Superannuation Plan (the "Plan"), which comprise the statement of financial position as at December 31, 2020, and the statements of changes in net assets available for benefits and changes in pension obligations for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively 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, 2020, 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 ("ASPP").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 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.

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 ASPP, 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.

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 GAAS 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 GAAS, 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 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 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 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 that we identify during our audit.

Chartered Professional Accountants
Saskatoon, Saskatchewan
June 17, 2021

CITY OF SASKATOON FIRE AND PROTECTIVE SERVICES DEPARTMENT SUPERANNUATION PLAN

DRAFT Statement of Financial Position
(in thousands of dollars)

As at December 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Cash	$ 602	$ 706
Investments (note 3)	178,860	175,088
Contributions receivable (note 4)	1,449	-
Accrued investment income	39	35
GST recoverable	23	25
	180,973	175,854
Liabilities		
Accounts payable and accrued liabilities	$ 200	$ 239
Bank indebtedness	2,149	1,336
	2,349	1,575
Net assets available for benefits	178,624	174,279
Pension obligations (note 5)	182,042	181,691
Deficit	$ (3,418)	$ (7,412)

See accompanying notes to financial statements.

Approved by:

____

____

CITY OF SASKATOON FIRE AND PROTECTIVE SERVICES DEPARTMENT SUPERANNUATION PLAN

DRAFT Statement of Changes in Net Assets Available for Benefits
(in thousands of dollars)

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Investments:		
Interest income	$ 3,183	$ 1,762
Dividends and distributions	5,598	8,712
Other income	1	4
	8,782	10,478
Change in fair value:		
Net realized gain on sale of investments	1,533	2,915
Change in net unrealized gains on investments	3,506	9,284
	5,039	12,199
Contributions (note 6):		
Employer (note 4)	1,563	1,362
	1,563	1,362
Increase in net assets before expenses and benefits	15,384	24,039
Expenses:		
Investment management fees	723	1,034
Administration (note 4 and 7)	159	214
	882	1,248
Benefit payments:		
Retirement benefits	9,822	9,069
Refunds and transfers:		
Transfer to other plans	335	1,463
Total expenses, payments and transfers	11,039	11,780
Increase in net assets	4,345	12,259
Net assets available for benefits, beginning of year	174,279	162,020
Net assets available for benefits, end of year	$ 178,624	$ 174,279

See accompanying notes to financial statements.

CITY OF SASKATOON FIRE AND PROTECTIVE SERVICES DEPARTMENT SUPERANNUATION PLAN

DRAFT Statement of Changes in Pension Obligations
(in thousands of dollars)

Year ended December 31, 2020, with comparative information for 2019

		2020		2019
Pension obligations, beginning of year	$	181,691	$	181,724
Increases in pension obligations:				
Interest on accrued pension benefits		10,508		10,499
Decreases in pension obligations:				
Benefits paid		(10,157)		(10,532)
Pension obligations, end of year	$	182,042	$	181,691

See accompanying notes to financial statements.

1. Description of the plan:

The following description of the City of Saskatoon Fire and Protective Services Department Superannuation Plan (the "Plan") is a summary only. For more information, reference should be made the Plan Agreement.

a) General:

The Plan is a contributory defined benefit pension plan covering all uniformed employees of the City of Saskatoon Fire and Protective Services Department. Under the Plan, contributions are made by the Plan members and the City of Saskatoon (the "Sponsor"). The Plan is registered under The Pension Benefits Act, 1992 (Saskatchewan) registration #0308262. Effective for January 1, 2016 the Plan was amended to close the Plan to new entrants, freeze pensionable service in the Plan, and cease member contributions (see note 6).

b) Funding policy:

The Plan requires that the City of Saskatoon and the members equally fund benefits determined under the Plan. The determination of the value of these benefits is made on the basis of the most recently filed actuarial valuation (see note 5). Effective January 1, 2016 the Plan was amended to change the cost sharing arrangement in the Plan such that the City of Saskatoon assumes full responsibility for all past and future deficits in the Plan (see note 6).

c) Service pensions:

A service pension is normally available based on 1.4% of the portion of the final earnings which are not in excess of the average Year's Maximum Pensionable Earnings (YMPE) in the year of retirement and the previous two years, multiplied by the number of years of contributory service, subject to a maximum of 35 years; plus 2% of the portion of the final earnings in excess of the average YMPE multiplied by the number of years of contributory service subject to a maximum of 35 years.

d) Disability provisions:

Periods during which a member is in receipt of long-term disability insurance benefits provided by the City of Saskatoon count as contributory service. A member may elect to retire for reasons of ill health without reduction in his/her earned pension any time after age 50 or completion of 25 years of continuous service.

1. Description of the plan (continued):

e) Death benefits:

In the event of the death of an active member prior to retirement, an amount equal to the greater of two times the member's accumulated contributions with interest, or the commuted value of the member's earned pension, will be paid to the member's spouse, if married, or designated beneficiary, if single. If the member was eligible for an unreduced pension benefit at the time of death, the member's spouse may elect to receive the death benefit in the form of a lifetime pension from the Plan.

f) Survivors' pensions:

The normal form of pension for a single member at retirement provides that payments will be made to the member for the member's lifetime and shall include a guarantee that payments shall be made for at least 60 months. If the member dies before receiving 60 monthly payments, the commuted value of the remaining monthly payments shall be paid as a single lump sum payment to the member's designated beneficiary.

If the member has a spouse on the date of retirement, the normal form of pension is a monthly payment payable to the member for the member's lifetime with the first 60 monthly payments guaranteed. After the member's death and after 60 monthly payments have been made, the surviving spouse receives 60% of the member's pension for the remainder of the surviving spouse's lifetime. If the member and the member's spouse die before receiving 60 monthly payments, the commuted value of the remaining monthly payments shall be paid as a single lump sum payment to the member's designated beneficiary.

g) Termination benefits:

Upon termination of employment prior to becoming vested, a member will receive a refund of his/her own contributions with interest. Following vesting, the member will also receive the vested portion of the City of Saskatoon contributions based upon service and earnings to date of termination. Vesting occurs once a member completes two years of service.

h) Income taxes:

The Plan is a Registered Pension Trust as defined in the Income Tax Act and is not subject to income taxes.

2. Significant accounting policies:

(a) Basis of presentation:

These financial statements are prepared in accordance with Canadian accounting standards for pension plans. For matters addressed in accounting standards for pension plans, International Financial Reporting Standards ("IFRS") have been adopted. These financial

2. Significant accounting policies (continued):

(a) Basis of presentation (continued):

statements are prepared on a 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. These financial statements do not portray the funding requirement of the Plan or the benefit security of individual plan members.

The financial statements were authorized for issue by the Board of Trustees on June 17, 2021.

(b) Financial assets:

On initial recognition, financial assets are classified as measured at amortized cost ("AC"), fair value through other comprehensive income ("FVOCI") or fair value through profit and loss ("FVTPL"). The Plan's financial assets comprise of cash and investments.

Cash consists of balances held with financial institutions which have an initial term to maturity of three months of less and are classified at amortized cost. The cash balances are held with banks with high credit ratings. Accordingly the credit exposure to the Plan is nominal.

Investments are classified as FVTPL and carried at fair value in the statement of financial position.

(c) Fair value measurement:

Investment assets are stated at their fair values in the Statement of Financial Position. Fair value is the amount for which an asset can be exchanged between knowledgeable, willing parties in an arm's length transaction. If the financial instrument has a quoted price in an active market, the quoted price is the fair value of the financial instrument. If the market for a financial instrument is not active, fair value is established by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, that technique is used. The valuation technique incorporates all factors that market participants would consider in setting a price. Fair value is estimated on the basis of the results of a valuation technique that makes maximum use of market inputs, and relies as little as possible on entity-specific inputs.

2. Significant accounting policies (continued):

(c) Fair value measurement (continued):

Fair value hierarchy

Investment assets and investment liabilities are classified and disclosed in one of the following categories reflecting the significance of inputs used in making the fair value measurement:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

If different levels of inputs are used to measure the fair value of an investment, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. The Plan determines whether transfers between levels have occurred at the end of each reporting period. See note 3 (f) (vii) for this disclosure.

(d) Trade date accounting:

Purchases and sales of financial instruments are recorded on their trade date.

(e) Investment income and changes in fair value of investments:

Interest and dividends from investments in money market instruments, bonds, equities, and pooled funds are recorded separately from the change in fair value of such investments as investment income in the Statement of Changes in Net Assets Available for Benefits. Interest, dividends, and distributions from pooled funds are recorded on an accrual basis.

Realized and unrealized gains and losses are determined using the average cost basis.

(f) Transaction costs:

All transaction costs in respect of purchases and sales of investments are recorded as part of investment management fees in the Statement of Changes in Net Assets Available for Benefits.

2. Significant accounting policies (continued):

(g) Foreign exchange:

Transactions denominated in foreign currencies are translated into Canadian dollars at the rates of exchange in effect on the dates of the transactions. At each reporting date, the market value of foreign currency denominated assets and liabilities is translated using the rates of exchange at that date. The resulting gains and losses from changes in these rates are recorded as part of the change in fair value of investments in the Statement of Changes in Net Assets Available for Benefits.

(h) Contributions:

Contributions due to the Plan are recorded on an accrual basis. Transfers to the Plan and purchases of prior service are recorded when cash is received.

(i) Benefits:

Payments of pensions, refunds and transfers out of the Plan are recorded in the period in which they are paid.

(j) Pension obligations:

The value of accrued pension benefits payable in the future to members and changes therein during the year are based on an actuarial valuation prepared by an independent firm of actuaries. The valuation for accounting purposes is made as at year end. It uses the projected benefit method pro-rated on service and best estimate assumptions, as at the valuation dates, of various economic and non-economic future events. The differences between the financial statement deficit resulting from this accounting valuation and the regulatory deficit resulting from the triennial valuation for funding purposes (see note 1 (b) above) is explained in note 6.

(k) Use of estimates:

Preparation of the financial statements requires management to make estimates and assumptions, based on the information available as at the date of the financial statements, which affect the reported values of assets and liabilities, and related income and expenses. Such estimates and assumptions affect primarily the value of recorded pension obligations and the fair value of investment assets. Actual results could differ from those presented.

3. Investments:

RBC Investor Services Trust is the custodian of the Plan. Leith Wheeler Investment Counsel Ltd., Burgundy Asset Management Ltd., Walter Scott Global Investment Management, Westpen Properties Ltd. and Barrow, Hanley, Mewhinny & Strauss act as the investment managers for the Plan.

Investments are stated at fair value. The Plan's investments consist of the following:

(a) Money market instruments:

	2020	2019
Canadian short-term investments	$ 2,614	$ 2,517

Money market instruments are primarily securities issued by Federal and Provincial governments, Canadian Chartered Banks, and Canadian corporations with maturities under one year.

(b) Real estate fund:

	2020	2019
Greystone Real Estate Fund Inc.	$ 17,539	$ 17,876

The real estate fund units are valued using the total appraised value of the individual properties. The working capital and underlying mortgages of each property are fair value-based and are combined with the appraised value of real estate properties to determine the fair value of the real estate investments.

(c) Bonds and debentures:

	2020	2019
Pooled fixed income funds	$ 44,392	$ 45,024

The fair value of these instruments is based on quoted bid prices in an active market, when available. When quoted market prices in an active market are not available, the fair value is based on a valuation technique, being the present value of the principal and interest receivable discounted at appropriate market interest rates.

3. Investments (continued):

(d) Equities and pooled funds:

		2020		2019
Canadian common stocks	$	19,858	$	19,862
Canadian pooled equity funds		20,192		21,694
U.S. pooled equity funds		11,392		11,041
Foreign pooled equity funds		49,041		44,102
Total equities and pooled funds	$	100,483	$	96,699

Common stocks represent securities issued by entities that are traded on the TSX or other stock exchanges. Fair value is based on the quoted bid prices as at December 31.

Pooled funds do not have a quoted price in active markets. Fair value is based on net asset values, obtained from the managers of the funds, which are determined with references to the fair value of the underlying listed investments of each fund.

(e) Mortgages:

		2020		2019
Greystone Mortgage Fund	$	13,832	$	12,972

Mortgages are secured by real estate and represent one to five year loans made at commercial rates to individuals and corporations, amortized over periods ranging from ten to twenty-five years. Mortgages are valued using current market yields. Fair value is based on a valuation technique, being the present value of the principal and interest receivable discounted at appropriate market interest rates.

3. Investments (continued):

(f) Financial risk management:

(i) Risk policy:

The value of the Plan's assets is affected by short-term changes in interest rates and equity markets. Interest rate changes directly impact the value of fixed income securities. Interest rates, along with inflation and salary escalation, also impact the Plan's pension obligations. The Plan manages these risks through the establishment of an appropriate asset mix. The investment policy of the Plan states that the Plan's assets should be prudently managed to assist in avoiding actuarial deficits and excessive volatility in annual rates of return.

The Plan's risk philosophy is that in order to achieve long-term investment goals, the Plan must invest in assets that have uncertain returns, such as Canadian equities, foreign equities and non-government bonds. The Plan has adopted an asset mix that has a bias to equity investments. The Board of Trustees has attempted to reduce the overall level of risk by diversifying the asset classes and further diversifying within each individual asset class.

The Plan has moderate to moderately high risk tolerance. As a result, an investment philosophy with an equity bias has been adopted. The overall risk posture of the Plan is influenced by demographics as well as the funded position of the Plan.

The long-term investment goal of the Plan is to achieve a minimum annualized rate of return of 4.05 percentage points in excess of the Canadian Consumer Price Index. This 4.05% real return objective is consistent with the overall investment risk level that the Plan could assume in order to meet the pension obligations of the Plan, and normally will be assessed over longer time periods.

The Plan's investment policy contains specific performance objectives for the Plan and for the investment managers. The primary objective is to outperform a benchmark portfolio over moving four year periods. The benchmark portfolio includes several key market indices including the S&P/TSX Composite Capped Index, the S&P 500, the MSCI EAFE Index, the Investment Property Databank, the DEX Universe Bond Index and 91-day T-Bills. A secondary objective is to exceed the benchmark index in each of the asset classes in which the investment managers invest.

3. Investments (continued):

(f) Financial risk management (continued):

(ii) Credit risk:

Credit risk arises from the potential for an investee to fail or default on its contractual obligations to the Plan. The Plan manages these risks through credit quality limits defined in the Plan's Statement of Investment Policies and Goals. Within the bond portfolio, credit exposure is mitigated by establishing a minimum credit quality for corporate bonds of investment grade (which include bonds rated AAA, AA, A and BBB or equivalent as rated by an independent rating agency). Bonds rated BBB may not be purchased if the purchase would raise the holdings in bonds rated BBB or lower to more than 20% of the market value of the bond portfolio. In addition to ensuring diversification by major asset class, exposure to individual corporate entities is also restricted within the Plan's Statement of Investment Policies and Goals to 10% of the value of individual equity and bond portfolios as well as at the total portfolio level.

Exposure to bond sectors (credit risk):

		2020		2019
Pooled fixed income funds	$	44,392	$	45,024

(iii) Foreign currency risk:

The Plan is exposed to foreign currency risk through holding of foreign equities where the investment values may fluctuate due to changes in foreign exchange rates. The Plan manages and estimates the foreign currency risk by focusing on equity distribution by country invested in. The policy limits foreign currency exposure of bond investments to 10% of market value of the bond portfolio. The exposure to U.S. currency is net of investments in the pooled fund where the U.S. currency is hedged. At December 31, 2020, the Plan's foreign currency exposure was $59,468 (2019 - $54,523).

		2020		2019
U.S. dollar	$	30,615	$	28,965
Euro		6,032		4,427
Japanese yen		5,189		4,093
British pound		4,422		4,362
Swiss franc		3,695		3,483
Hong Kong dollar		2,735		2,489
Other		6,780		6,704
	$	59,468	$	54,523

3. Investments (continued):

(f) Financial risk management (continued):

(iv) Interest rate risk:

Interest rate risk refers to the adverse consequence of interest rate changes on the Plan's cash flows, financial position and income. This risk is the differences arising from differences in the timing and amount of cash flows related to the Plan's assets and liabilities. At December 31, 2020, the Plan's exposure to interest rate risk was $47,608 (2019 - $48,247).

	2020	2019
Cash and short term investments	$ 3,216	$ 3,223
Bonds and debentures	44,392	45,024
	$ 47,608	$ 48,247

Modified duration is a measurement of the sensitivity of the price of a fixed income investment to a change in interest rate. All else being equal, the market value of a fixed income investment with a duration of 6 years would be expected to decrease by 6% for every 1% increase in interest rates.

The modified duration of the Plan's bonds is as follows:

	2020	2019
Leith Wheeler bonds	8.0%	8.0%
Weighted average	8.0%	8.0%

The Plan holds approximately 26.5% (2019 - 27.6%) of its investments in fixed income securities and 73.5% (2019 - 72.4%) in equities and equity pooled funds at December 31, 2020.

(v) Equity price risk:

Equity price risk is the risk that the fair value or future cash flows of an equity investment will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual equity instrument, or factors affecting similar equity instruments traded in the market.

3. Investments (continued):

(f) Financial risk management (continued):

(v) Equity price risk (continued):

The investment portfolio is directly exposed to equity price risk in respect of its equities which total $100,483 at December 31, 2020 (2019 - $96,699).

(vi) Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. As at December 31, 2020, the Plan has other liabilities of $2,349 (2019 - $1,575). Other liabilities relate to accounts payable and accrued liabilities and bank indebtedness and will generally be settled within 90 days of the year end. As at December 31, 2020, the Plan held cash and money market instruments totaling $3,216 (2019 - $3,223) which are readily available to settle such obligations.

The Plan's Statement of Investment Policies and Goals sets out requirements for the Plan to maintain an adequate amount of liquid assets with varying maturities in order to ensure that the Plan can meet all of its financial obligations as they fall due.

(vii) Fair value hierarchy:

	Level 1	Level 2	Level 3	December 31, 2020
Money Market instruments	$ -	$ 2,614	$ -	$ 2,614
Real estate fund	-	-	17,539	17,539
Bonds and debentures	-	44,392	-	44,392
Equities and pooled funds	19,858	80,625	-	100,483
Mortgages	-	-	13,832	13,832
	$ 19,858	$ 127,631	$ 31,371	$ 178,860

3. Investments (continued):

(f) Financial risk management (continued):

(vii) Fair value hierarchy (continued)

	Level 1	Level 2	Level 3	December 31, 2019
Money Market instruments	$ -	$ 2,517	$ -	$ 2,517
Real estate fund	-	-	17,876	17,876
Bonds and debentures	-	45,024	-	45,024
Equities and pooled funds	19,862	76,837	-	96,699
Mortgages	-	-	12,972	12,972
	$ 19,862	$ 124,378	$ 30,848	$ 175,088

There were no significant transfers of investments between levels during the year.

The following table reconciles the Plan's Level 3 fair value measurements from December 31, 2019 to December 31, 2020:

	Mortgages	Real estate fund	2020 Total
Balance, beginning of year	$ 12,972	$ 17,876	$ 30,848
Net acquisitions	1,112	-	1,112
Loss included in the Statement of Changes in Net Assets Available for Benefits	(252)	(337)	(589)
Balance, end of year	$ 13,832	$ 17,539	$ 31,371

3. Investments (continued):

(f) Financial risk management (continued):

(vii) Fair value hierarchy (continued)

		Mortgages		Real estate fund		2019 Total
Balance, beginning of year	$	9,655	$	16,451	$	26,106
Net acquisitions		3,137		-		3,137
Gain included in the Statement of Changes in Net Assets Available for Benefits		180		1,425		1,605
Balance, end of year	$	12,972	$	17,876	$	30,848

4. Related party transactions:

During the year, the Plan received unfunded liability contributions from the City of Saskatoon, employer of Plan members, in the amount of $1,563 (2019 - $1,362) and paid administrative fees of $21 (2019 - $15). Included in contributions receivable is $1,449 (2019 - $nil) owing from City of Saskatoon.

These transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

5. Pension obligations:

An actuarial valuation was prepared as of December 31, 2018 by AON Hewitt, a firm of consulting actuaries. The pension obligation reflected on the Statement of Changes in Pension Obligations as at December 31, 2020 is based on the 2018 valuation extrapolated to December 31, 2020.

The assumptions used in determining the actuarial value of accrued pension benefits were developed by reference to expected long-term market conditions. Significant long-term actuarial assumptions used in the valuation were:

	2020	2019
Expected return on plan assets	5.95%	5.95%
Inflation rate	2.25%	2.25%
Rate of compensation increase (including inflation component)	3.25%	3.25%
Discount rate per annum for all members	5.95%	5.95%
Average remaining service period of active employees	12.2 years	12.2 years

Changes in actuarial assumptions, including mortality assumptions and discount rates, between 2019 and 2020 had a $nil (2019 - $nil) effect on the increase in pension obligation.

Experience gains and losses represent the change in pension obligations due to the difference between actual economic and demographic experience and expected experience. During 2020, experience gains were $nil (2019 - $nil).

The deficiency of net assets available for benefits relative to pension obligations results in the Plan being in a deficit position of $3,418 as at December 31, 2020 (2019 - $7,412).

6. Funding policy:

Effective for January 1, 2016 the Plan was amended to close the Plan to new entrants, freeze pensionable service in the Plan, cease member contributions and change the cost sharing arrangement in the Plan such that the City of Saskatoon assumes full responsibility for all past and future deficits in the Plan. No additional contributions are made by the Plan members.

The most recent actuarial valuation for funding purposes was prepared by AON Hewitt as of December 31, 2018 and a copy of this valuation was filed with the Financial and Consumer Affairs Authority of Saskatchewan on September 30, 2019. This valuation disclosed a going concern unfunded liability of $33,516. Commencing on January 1, 2017, the City of Saskatoon is required to make minimum contributions to the Plan of 3.5% of pensionable earnings to fund the deficit. These contributions are required to be made until the next funding recommendation is certified. The effective date of the next actuarial valuation is expected to be December 31, 2021.

The Pension Benefits Act, 1992 (Saskatchewan) requires that an actuarial certificate be filed with the Financial and Consumer Affairs Authority of Saskatchewan at least every three years or earlier if the Plan is significantly amended.

7. Administration expenses:

	2020	2019
Administrative expenses	$ 53	$ 70
Actuarial fee	51	81
Custodian fee	34	30
Bank interest	21	33
	$ 159	$ 214

8. COVID-19:

The COVID-19 global pandemic declared in March 2020 has brought forth changes and challenges to all aspects of society and the economy worldwide. As a result, economic uncertainties have arisen which may negatively impact the Plan's assets and investment returns though the potential impact is unknown at this time. The pandemic in Canada has been accompanied by two waves of disease-related deaths. The net effect on short- and long-term mortality from COVID-19 remains unknown at this time. The impact of COVID-19 will affect the results of future valuations to the extent that actual deaths differ from expected.

The Board of Trustees reviewed the ongoing situation at its June 17, 2021 board meeting. As well, consultations with external service providers have occurred and the Board continues to monitor and determine if any corrective action is required. This event will be been taken into consideration in setting the discount rate for the Plan's actuarial valuation for 2021.

DRAFT Financial Statements of

THE SASKATOON FIRE FIGHTERS' PENSION PLAN

Year ended December 31, 2020

Independent Auditor’s Report

To the Board of Trustees of
Saskatoon Fire Fighters’ Pension Plan

Opinion

We have audited the financial statements of Saskatoon Fire Fighters’ Pension Plan (the “Plan”), which comprise the statement of financial position as at December 31, 2020, and the statements of changes in net assets available for benefits and changes in pension obligations for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively 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, 2020, 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 (“ASPP”).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards (“Canadian GAAS”). 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 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.

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 ASPP, 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.

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 GAAS 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 GAAS, 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 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 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 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 that we identify during our audit.

Chartered Professional Accountants
Saskatoon, Saskatchewan
xx, 2021

THE SASKATOON FIRE FIGHTERS' PENSION PLAN

DRAFT Statement of Financial Position
(in thousands of dollars)

As at December 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Cash	$ 2,263	$ 1,181
Investments (note 3)	35,733	26,545
Contributions receivable:		
Employer (note 4)	289	271
Employee	-	129
GST recoverable	7	6
	38,292	28,132
Liabilities		
Accounts payable and accrued liabilities	$ 81	$ 73
	81	73
Net assets available for benefits	38,211	28,059
Pension obligations (note 5)	30,893	23,498
Surplus	$ 7,318	$ 4,561

See accompanying notes to financial statements.

Approved by:

____

____

THE SASKATOON FIRE FIGHTERS' PENSION PLAN

DRAFT Statement of Changes in Net Assets Available for Benefits
(in thousands of dollars)

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Investments:		
Interest income	$ 8	$ 18
Dividends and distributions	1,236	1,372
	1,244	1,390
Change in fair value:		
Net realized gain (loss) on sale of investments	(247)	1
Change in net unrealized gains on investments	2,145	1,604
	1,898	1,605
Contributions (note 6):		
Employee	3,812	3,306
Employer (note 4)	3,811	3,293
	7,623	6,599
Increase in net assets before expenses and benefits	10,765	9,594
Expenses:		
Investment management fees	160	165
Administration (note 4, 7)	132	181
	292	346
Benefit payments:		
Retirement benefits	213	75
Refunds and transfers:		
Termination and death benefits	108	87
Total expenses, payments and transfers	613	508
Increase in net assets	10,152	9,086
Net assets available for benefits, beginning of year	28,059	18,973
Net assets available for benefits, end of year	$ 38,211	$ 28,059

See accompanying notes to financial statements.

THE SASKATOON FIRE FIGHTERS' PENSION PLAN

DRAFT Statement of Changes in Pension Obligations
(in thousands of dollars)

Year ended December 31, 2020, with comparative figures for 2019

	2020	2019
Pension obligations, beginning of year	$ 23,498	$ 17,186
Increases in pension obligations:		
Pension benefits accrued	6,055	5,232
Interest on accrued pension benefits	1,661	1,242
Decreases in pension obligations:		
Benefits paid	(321)	(162)
Pension obligations, end of year	$ 30,893	$ 23,498

See accompanying notes to financial statements.

1. Description of the plan:

The following description of the Saskatoon Fire Fighters' Pension Plan (the "Plan") is a summary only. For more information, reference should be made the Plan Agreement.

a) General:

The Plan is a contributory target benefit plan covering all uniformed employees of the City of Saskatoon Fire Department. Under the Plan, contributions are made by the Plan members and the City of Saskatoon (the "Sponsor"). The Plan is registered under *The Pension Benefits Act, 1992* (Saskatchewan) registration #1287580.

b) Funding policy:

The Plan requires that members contribute to the Plan at a fixed rate of 9.0% of earnings, which is matched equally by Sponsor contributions. In no case shall the fixed rate contributions exceed 9.5% for either the members or the Sponsor. Any funding requirement over this amount will result in benefit adjustments to reduce the cost of the Plan. The Plan does provide for automatic indexation of pensions in pay, but these may be adjusted based on the funded status of the Plan.

The determination of the Plan's funding requirements is made on the basis of the most recently filed actuarial valuation (see note 6).

c) Service pensions:

A service pension is normally available based on 1.60% of the best continuous 120 months' average earnings multiplied by the number of years of contributory service accrued on or after January 1, 2016.

d) Disability provisions:

Periods during which a member is in receipt of long-term disability insurance benefits provided by the Sponsor count as contributory service. A member may elect to retire for reasons of ill health without reduction in his/her earned pension any time after age 50, with a minimum of 2 years of continuous service, or completion of 25 years of continuous service.

e) Death benefits:

In the event of the death of an active member prior to retirement, an amount equal to the commuted value of the member's earned pension, will be paid to the member's spouse, if married, or designated beneficiary, if single.

1. Description of the plan (continued):

f) Survivors' pensions:

The normal form of pension for a single member provides that payments will be made to the member for the member's lifetime and shall include a guarantee that payments shall be made for at least 120 months. If the member dies before receiving 120 monthly payments, the commuted value of the remaining monthly payments shall be paid as a single lump sum payment to the member’s designated beneficiary.

If the member has a spouse on the date of retirement the normal form of pension is a monthly payment payable to the member for the member’s lifetime with the first 60 monthly payments guaranteed. After the member’s death and after 60 monthly payments have been made, the surviving spouse receives 60% of the member’s pension for the remainder of the surviving spouse's lifetime. This normal form of pension for a member with a spouse shall be actuarially equivalent to the normal form of pension paid to a single member. If the member and the member’s spouse die before receiving 60 monthly payments, the commuted value of the remaining monthly payments shall be paid as a single lump sum payment to the member’s designated beneficiary.

g) Termination benefits:

Upon termination of employment prior to becoming vested, a member will receive a refund of the member’s own contributions with interest. Following vesting, the member will also receive the vested portion of the Sponsor contributions based upon service and earnings to date of termination. Vesting occurs once a member completes two years of service.

h) Income taxes:

The Plan is a Registered Pension Trust as defined in the Income Tax Act and is not subject to income taxes.

2. Significant accounting policies:

(a) Basis of presentation:

These financial statements are prepared in accordance with Canadian accounting standards for pension plans. For matters not addressed in accounting standards for pension plans, International Financial Reporting Standards (“IFRS”) have been adopted. These financial statements are prepared on a 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. These financial statements do not portray the funding requirement of the Plan or the benefit security of individual plan members.

The financial statements were authorized for issue by the Board of Trustees on June 17, 2021.

2. Significant accounting policies (continued):

(b) Financial assets:

On initial recognition, financial assets are classified as measured at amortized cost ("AC"), fair value through other comprehensive income ("FVOCI") or fair value through profit and loss ("FVTPL"). The Plan's financial assets comprise of cash and investments.

Cash consists of balances held with financial institutions which have an initial term to maturity of three months of less and are classified at amortized cost. The cash balances are held with banks with high credit ratings. Accordingly the credit exposure to the Plan is nominal.

Investments are classified as FVTPL and carried at fair value in the statement of financial position.

(c) Fair value measurement:

Fair value is the amount for which an asset can be exchanged between knowledgeable, willing parties in an arm's length transaction. If the financial instrument has a quoted price in an active market, the quoted price is the fair value of the financial instrument. If the market for a financial instrument is not active, fair value is established by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, that technique is used. The valuation technique incorporates all factors that market participants would consider in setting a price. Fair value is estimated on the basis of the results of a valuation technique that makes maximum use of market inputs, and relies as little as possible on entity-specific inputs.

Fair value hierarchy

Investment assets and investment liabilities are classified and disclosed in one of the following categories reflecting the significance of inputs used in making the fair value measurement:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

If different levels of inputs are used to measure the fair value of an investment, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. The Plan determines whether transfers between levels have occurred at the end of each reporting period. See note 3 (d) (vii) for this disclosure.

2. Significant accounting policies (continued):

(d) Trade date accounting:

Purchases and sales of financial instruments are recorded on their trade date.

(e) Investment income and changes in fair value of investments:

Interest and dividends from investments are recorded separately from the change in fair value of such investments as investment income in the Statement of Changes in Net Assets Available for Benefits. Interest, dividends, and distributions from pooled funds are recorded on an accrual basis.

Realized and unrealized gains and losses are determined using the average cost basis.

(f) Transaction costs:

All transaction costs in respect of purchases and sales of investments are recorded as part of investment management fees in the Statement of Changes in Net Assets Available for Benefits.

(g) Foreign exchange:

Transactions denominated in foreign currencies are translated into Canadian dollars at the rates of exchange in effect on the dates of the transactions. At each reporting date, the market value of foreign currency denominated assets and liabilities is translated using the rates of exchange at that date. The resulting gains and losses from changes in these rates are recorded as part of the change in fair value of investments in the Statement of Changes in Net Assets Available for Benefits.

(h) Contributions:

Contributions due to the Plan are recorded on an accrual basis. Transfers to the Plan and purchases of prior service are recorded when cash is received.

(i) Benefits:

Payments of pensions, refunds and transfers out of the Plan are recorded in the period in which they are paid.

2. Significant accounting policies (continued):

(j) Pension obligations:

The value of accrued pension benefits payable in the future to members and changes therein during the year are based on an actuarial valuation prepared by an independent firm of actuaries. The valuation for accounting purposes is made as at year end. It uses the projected benefit method pro-rated on service and best estimate assumptions, as at the valuation dates, of various economic and non-economic future events. The differences between the financial statement surplus resulting from this accounting valuation and the regulatory deficit resulting from the triennial valuation for funding purposes (see note 1 (b) above) is explained in note 6.

(k) Use of estimates:

Preparation of the financial statements requires management to make estimates and assumptions, based on the information available as at the date of the financial statements, which affect the reported values of assets and liabilities, and related income and expenses. Such estimates and assumptions affect primarily the value of recorded pension obligations and the fair value of investment assets. Actual results could differ from those presented.

3. Investments:

RBC Investor Services Trust is the custodian of the Plan. Leith Wheeler Investment Counsel Ltd., Burgundy Asset Management Ltd., Walter Scott Global Investment Management, and TD Asset Management Inc. act as the investment managers for the Plan.

Investments are stated at fair value. The Plan's investments consist of the following:

(a) Money market instruments:

	2020	2019
Canadian short-term investments	$ 5	$ 503

Money market instruments are primarily securities issued by Federal and Provincial governments, Canadian Chartered Banks, and Canadian corporations with maturities under one year.

(in thousands of dollars)

3. Investments (continued):

(b) Real estate fund:

	2020	2019
Greystone Real Estate Fund Inc.	$ 3,552	$ 3,119

The real estate fund units are valued using the total appraised value of the individual properties. The working capital and underlying mortgages of each property are fair value-based and are combined with the appraised value of real estate properties to determine the fair value of the real estate investments.

(c) Equities and pooled funds:

	2020	2019
Canadian pooled equity funds	$ 13,522	$ 10,139
U.S. pooled equity funds	6,628	4,763
Foreign pooled equity funds	12,026	8,021
Total equities and pooled funds	$ 32,176	$ 22,923

Pooled funds do not have a quoted price in active markets. Fair value is based on net asset values, obtained from the managers of the funds, which are determined with references to the fair value of the underlying listed investments of each fund.

(d) Financial risk management:

(i) Risk policy:

The value of the Plan's assets is affected by short-term changes in interest rates and equity markets. Interest rate changes directly impact the value of fixed income securities. Interest rates, along with inflation and salary escalation, also impact the Plan's pension obligations. The Plan manages these risks through the establishment of an appropriate asset mix. The investment policy of the Plan states that the Plan's assets should be prudently managed to assist in avoiding benefit reductions and excessive volatility in annual rates of return. Due to the fixed rate of funding contributions, Plan members primarily bear the risk and rewards of investment experience as shortfalls in investment may trigger benefit reductions, while favorable investment performance may result in benefit increases.

3. Investments (continued):

(d) Financial risk management (continued):

(i) Risk policy (continued):

The Plan's risk philosophy is that in order to achieve long-term investment goals, the Plan must invest in assets that have uncertain returns, such as Canadian equities, foreign equities, real estate and bonds. The Plan has adopted an asset mix that has a bias to equity investments. The Board of Trustees has attempted to reduce the overall level of risk by diversifying the asset classes and further diversifying by manager and manager style within most asset classes.

The Plan has moderate to moderately high risk tolerance, due to the fact that initially all members of the Plan are active employees. As a result, an investment philosophy with an equity bias has been adopted. The overall risk posture of the Plan is influenced by demographics as well as the funded position of the Plan.

The long-term investment goal of the Plan is to achieve a minimum annualized rate of return of 3.75 percentage points in excess of the Canadian Consumer Index. The 3.75% real return objective is consistent with the overall investment risk level that the Plan could assume in order to meet the pension obligations of the Plan, and normally will be assessed over longer time periods i.e. over ten years or more.

The Plan's investment policy contains specific performance objectives for the Plan and for the investment managers. The primary objective is to earn a rate of return that exceeds the rate of return on a benchmark portfolio. The benchmark portfolio includes several key market indices including the S&P/TSX Composite Capped Index, the S&P 500, the MSCI EAFE Index, the Investment Property Databank, the FTSE TMX Canada Universe Bond Index and FTSE TMX Canada 91-day T-Bills. A secondary objective is to exceed the benchmark index in each of the asset classes in which the investment managers invest.

(ii) Credit risk:

Credit risk arises from the potential for an investee to fail or default on its contractual obligations to the Plan. The Plan manages these risks through credit quality limits defined in the Plan's Statement of Investment Policies and Procedures. Within the bond portfolio, credit exposure is mitigated by establishing a minimum credit quality for corporate bonds of investment grade (which include bonds rated AAA, AA, A and BBB or equivalent as rated by an independent rating agency). Bonds rated BBB may not be purchased if the purchase would raise the holdings in bonds rated BBB or lower to more than 20% of the market value of the bond portfolio. In addition to ensuring diversification by major asset class, exposure to individual corporate entities is also restricted within the Plan's Statement of Investment Policies and Procedures to 10% of the value of the individual equity and bond portfolios as well as the total portfolio level. At December 31, 2020, the Plan's credit risk exposure was $nil (2019 - $nil).

(in thousands of dollars)

3. Investments (continued):

(d) Financial risk management (continued):

(iii) Foreign currency risk:

The Plan is exposed to foreign currency risk through holding of foreign equities where the investment values may fluctuate due to changes in foreign exchange rates. The Plan manages and estimates the foreign currency risk by focusing on equity distribution by country invested in. The policy limits foreign currency exposure of bond investments to 10% of market value of the bond portfolio. The exposure to U.S. currency is net of investments in the pooled fund where the U.S. currency is hedged. At December 31, 2020, the Plan's foreign currency exposure was $22,975 (2019 - $16,008).

	2020	2019
U.S. dollar	$ 11,785	$ 8,335
Euro	1,371	723
British pound	913	683
Japanese yen	1,248	720
Swiss franc	899	625
Hong Kong dollar	1,098	714
Other	5,661	4,208
	$ 22,975	$ 16,008

(iv) Interest rate risk:

Interest rate risk refers to the adverse consequence of interest rate changes on the Plan's cash flows, financial position and income. This risk is the differences arising from differences in the timing and amount of cash flows related to the Plan's assets and liabilities.

At December 31, 2020, the Plan's exposure to interest rate risk was $2,268 (2019 - $1,684).

	2020	2019
Cash and short term investments	$ 2,268	$ 1,684
	$ 2,268	$ 1,684

The Plan holds approximately 6% (2019 - 6.1%) of its investments in cash and fixed income securities and 94% (2019 - 93.9%) in equities and alternatives and equity pooled funds at December 31, 2020.

3. Investments (continued):

(d) Financial risk management (continued):

(v) Equity price risk:

Equity price risk is the risk that the fair value or future cash flows of an equity investment will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual equity instrument, or factors affecting similar equity instruments traded in the market. The investment portfolio is directly exposed to equity price risk in respect of its equities which total $32,176 (2019 - $22,923) at December 31, 2020.

(vi) Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

As at December 31, 2020, the Plan has other liabilities of $81 (2019 - $73). Other liabilities relate to accounts payable and accrued liabilities and will generally be settled within 90 days of the year end. As at December 31, 2020, the Plan held cash and money market instruments totaling $2,268 (2019 - $1,684) which are readily available to settle such obligations.

The Plan's Statement of Investment Policies and Procedures sets out requirements for the Plan to maintain an adequate amount of liquid assets with varying maturities in order to ensure that the Plan can meet all of its financial obligations as they fall due.

(in thousands of dollars)

3. Investments (continued):

(d) Financial risk management (continued):

(vii) Fair value hierarchy:

	Level 1	Level 2	Level 3	December 31, 2020
Real estate fund	$ -	$ -	$ 3,552	$ 3,552
Short-term investments	-	5	-	5
Equities and pooled funds	-	32,176	-	32,176
	$ -	$ 32,181	$ 3,552	$ 35,733

	Level 1	Level 2	Level 3	December 31, 2019
Real estate fund	$ -	$ -	$ 3,119	$ 3,119
Short-term investments		503	-	503
Equities and pooled funds	-	22,923	-	22,923
	$ -	$ 23,426	$ 3,119	$ 26,545

There were no significant transfers of investments between levels during the year.

The following table reconciles movement in the Plan's Level 3 fair value measurements:

	2020 Real estate fund
Balance, beginning of year	$ 3,119
Acquisitions	500
Loss included in the Statement of Changes in Net Assets Available for Benefits	(67)
Balance, end of year	$ 3,552

	2019 Real estate fund
Balance, beginning of year	$ 2,871
Gain included in the Statement of Changes in Net Assets Available for Benefits	248
Balance, end of year	$ 3,119

(in thousands of dollars)

4. Related party transactions:

During the year, the Plan received contributions from the City of Saskatoon, employer of plan members, in the amount of $3,811 (2019 - $3,293) and paid administrative fees of $25 (2019 - $20). Contributions receivable at December 31, 2020 includes $289 (2019 - $271) owing from the City of Saskatoon.

These transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

5. Pension obligations:

An actuarial valuation was prepared as of December 31, 2018 by AON Hewitt, a firm of consulting actuaries. The pension obligation reflected on the Statement of Changes in Pension Obligations as at December 31, 2020 is based on the 2018 valuation, extrapolated to December 31, 2020.

The assumptions used in determining the actuarial value of accrued pension benefits were developed by reference to expected long-term market conditions. Significant long-term actuarial assumptions used in the valuation were:

	2020	2019
Expected return on plan assets	6.30%	6.30%
Inflation rate	2.25%	2.25%
Rate of compensation increase (including inflation component)	3.25%	3.25%
Discount rate per annum for all members	6.30%	6.30%
Average remaining service period of active employees	12.7 years	12.7 years

Changes in actuarial assumptions, including mortality assumptions and discount rates, between 2019 and 2020 had a $nil (2019 - $nil) effect on the increase in pension obligation.

Experience gains and losses represent the change in pension obligations due to the difference between actual economic and demographic experience and expected experience. During 2020, experience losses were $nil (2019 - $nil).

The excess of net assets available for benefits relative to pension obligations results in the Plan being in a surplus position of $7,318 (2019 - $4,561) as at December 31, 2020.

(in thousands of dollars)

6. Funding policy:

The most recent actuarial valuation for funding purposes was prepared by AON Hewitt as of December 31, 2018 and a copy of this valuation was filed with the Financial and Consumer Affairs Authority of Saskatchewan on September 30, 2019. This valuation disclosed a going concern surplus of $3,092. This valuation disclosed that the current fixed contribution rate of 18% is sufficient to meet the Plan's funding needs, including margin, on a going concern basis. The effective date of the next actuarial valuation is expected to be December 31, 2021.

The Pension Benefits Act, 1992 (Saskatchewan) requires that an actuarial certificate be filed with the Financial and Consumer Affairs Authority of Saskatchewan at least every three years or earlier if the Plan is significantly amended.

7. Administration expenses:

	2020	2019
Administrative expenses	$ 69	$ 70
Actuarial fees	41	91
Custodian fee	22	20
	$ 132	$ 181

8. COVID-19:

The COVID-19 global pandemic declared in March 2020 has brought forth changes and challenges to all aspects of society and the economy worldwide. As a result, economic uncertainties have arisen which may negatively impact the Plan's assets and investment returns though the potential impact is unknown at this time. The pandemic in Canada has been accompanied by two waves of disease-related deaths. The net effect on short- and long-term mortality from COVID-19 remains unknown at this time. The impact of COVID-19 will affect the results of future valuations to the extent that actual deaths differ from expected.

The Board of Trustees reviewed the ongoing situation at its June 17, 2021 board meeting. As well, consultations with external service providers have occurred and the Board continues to monitor and determine if any corrective action is required. This event will be been taken into consideration in setting the discount rate for the Plan's actuarial valuation for 2021.

DRAFT Financial Statements of

CITY OF SASKATOON
POLICE SUPERANNUATION PLAN

Year ended December 31, 2020

Independent Auditor's Report

To the Board of Trustees of
City of Saskatoon Police Superannuation Plan

Opinion

We have audited the financial statements of City of Saskatoon Police Superannuation Plan (the "Plan"), which comprise the statement of financial position as at December 31, 2020, and the statements of changes in net assets available for benefits and changes in pension obligations for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively 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, 2020, 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 ("ASPP").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 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.

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 ASPP, 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.

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 GAAS 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 GAAS, 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 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 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 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 that we identify during our audit.

Chartered Professional Accountants
Saskatoon, Saskatchewan
xx, 2021

CITY OF SASKATOON POLICE SUPERANNUATION PLAN

DRAFT Statement of Financial Position
(in thousands of dollars)

As at December 31, 2020, with comparative information for 2019

		2020		2019
Assets				
Cash	$	5	$	5
Investments (note 3)		359,380		343,191
Contributions receivable (note 4)		1,636		-
GST recoverable		37		44
	$	361,058	$	343,240
Liabilities				
Accounts payable and accrued liabilities	$	354	$	433
Bank indebtedness		869		576
	$	1,223	$	1,009
Net assets available for benefits		359,835		342,231
Pension obligations (note 5)		324,966		323,750
Surplus	$	34,869	$	18,481

See accompanying notes to financial statements.

Approved by:

____

____

CITY OF SASKATOON POLICE SUPERANNUATION PLAN

DRAFT Statement of Changes in Net Assets Available for Benefits
(in thousands of dollars)

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Investment income:		
Interest income	$ 4,893	$ 3,675
Dividends and distributions	9,056	19,651
	13,949	23,326
Change in fair value:		
Net realized gains on sale of investments	587	834
Change in net unrealized gains on investments	20,728	17,687
	21,315	18,521
Contributions (note 6):		
Employer (note 4)	1,773	1,646
	1,773	1,646
Increase in net assets before expenses and benefits	37,037	43,493
Expenses:		
Investment management fees	1,563	2,316
Administration (note 4 and 7)	191	245
	1,754	2,561
Benefit payments:		
Retirement benefits	16,743	16,190
Refunds and transfers:		
Termination benefits	936	1,006
Total expenses, payments and transfers	19,433	19,757
Increase in net assets	17,604	23,736
Net assets available for benefits, beginning of year	342,231	318,495
Net assets available for benefits, end of year	$ 359,835	$ 342,231

See accompanying notes to financial statements.

CITY OF SASKATOON POLICE SUPERANNUATION PLAN

DRAFT Statement of Changes in Pension Obligations
(in thousands of dollars)

Year ended December 31, 2020, with comparative figures for 2019

	2020	2019
Pension obligations, beginning of year	$ 323,750	$ 322,134
Increases in pension obligations:		
Interest on accrued pension benefits	18,895	18,812
Decreases in pension obligations:		
Benefits paid	(17,679)	(17,196)
Pension obligations, end of year	$ 324,966	$ 323,750

See accompanying notes to financial statements.

1. Description of the plan:

The following description of the City of Saskatoon Police Services Superannuation Plan (the "Plan") is a summary only. For more information, reference should be made to the Plan Agreement.

a) General:

The Plan is a contributory defined benefit pension plan covering all police employees of the City of Saskatoon Police Services. Under the Plan, contributions are made by the Plan members and the Board of Police Commissioners (the "Sponsor"). The Plan is registered under The Pension Benefits Act, 1992 (Saskatchewan) registration #0206102.

b) Funding policy:

The Pension Benefits Act, 1992 (Saskatchewan) requires that the Board of Police Commissioners, being the Plan sponsor, must fund benefits determined under the Plan. The determination of the value of these benefits is made on the basis of the most recently filed valuation (see note 5).

c) Service pensions:

A service pension is normally available based on 2% of final earnings multiplied by the pensionable service, subject to a maximum of 35 years, adjusted for Canada Pension Plan benefits for periods of past service from 1990 to 1994 inclusive.

d) Disability benefit:

Periods in which a member is in receipt of Workers' Compensation, sick bank, or long-term disability insurance benefits count as contributory service.

Participants who become disabled may retire at any time provided they have completed 25 years of continuous service.

e) Death benefits:

In the event of the death of an active member prior to retirement, an amount equal to the greater of two times the member's accumulated contributions with interest or the commuted value of the pension earned to the date of death will be paid to the member's beneficiary.

1. Description of the plan – continued:

f) Survivors' pensions:

The normal form of pension for a single member at retirement provides that payments will be made to the member for the member's lifetime and shall include a guarantee that payments shall be made for at least 180 months. If the member dies before receiving 180 monthly payments, the commuted value of the remaining monthly payments shall be paid as a single lump sum payment to the member's designated beneficiary.

If the member has a spouse on the date of retirement, the normal form of pension is a monthly payment payable to the member for the member's lifetime with the first 60 monthly payments guaranteed. After the member's death and after 60 monthly payments have been made, the surviving spouse receives 66 2/3% of the member's pension for the remainder of the surviving spouse's lifetime. If the member and the member's spouse die before receiving 60 monthly payments, the commuted value of the remaining monthly payments shall be paid as a single lump sum payment to the member's designated beneficiary.

g) Termination benefits:

Upon termination of employment prior to becoming vested, a member will receive a refund of all of his/her own contributions with interest. Following vesting, the member will also receive the vested portion of the Board of Police Commissioners' contributions based upon service and earnings to date of termination. Vesting occurs once a member completes two years of service.

f) Income taxes:

The Plan is a Registered Pension Trust as defined in the Income Tax Act and is not subject to income taxes.

2. Significant accounting policies:

(a) Basis of presentation:

These financial statements are prepared in accordance with Canadian accounting standards for pension plans. For matters not addressed in accounting standards for pension plans, International Financial Reporting Standards ("IFRS") have been adopted. These financial statements are prepared on a 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. These financial statements do not portray the funding requirements of the Plan or the benefit security of individual plan members.

The financial statements were authorized for issue by the Investment Committee on June 8, 2021.

2. Significant accounting policies – continued:

(b) Financial assets:

On initial recognition, financial assets are classified as measured at amortized cost ("AC"), fair value through other comprehensive income ("FVOCI") or fair value through profit and loss ("FVTPL"). The Plan's financial assets comprise of cash and investments.

Cash consists of balances held with financial institutions which have an initial term to maturity of three months of less and are classified at amortized cost. The cash balances are held with banks with high credit ratings. Accordingly the credit exposure to the Plan is nominal.

Investments are classified as FVTPL and carried at fair value in the statement of financial position.

(c) Fair value measurement:

Fair value is the amount for which an asset can be exchanged between knowledgeable, willing parties in an arm's length transaction. If the financial instrument has a quoted price in an active market, the quoted price is the fair value of the financial instrument. If the market for a financial instrument is not active, fair value is established by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, that technique is used. A valuation technique incorporates all factors that market participants would consider in setting a price. Fair value is estimated on the basis of the results of a valuation technique that makes maximum use of market inputs, and relies as little as possible on entity-specific inputs.

Fair value hierarchy

Investment assets are classified and disclosed in one of the following categories reflecting the significance of inputs used in making the fair value measurement:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

2. Significant accounting policies – continued:

(c) Fair value measurement (continued):

If different levels of inputs are used to measure the fair value of an investment, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. The Plan determines whether transfers between levels have occurred at the end of each reporting period. See note 3 (f) (vii) for this disclosure.

(d) Trade date accounting:

Purchases and sales of financial instruments are recorded on their trade dates.

(e) Investment income and changes in fair value of investments:

Interest and dividends from investments are recorded separately from the change in fair value of such investments as investment income in the Statement of Changes in Net Assets Available for Benefits. Interest, dividends and distributions from pooled funds are recorded on an accrual basis.

Realized and unrealized gains and losses are determined using the average cost basis.

(f) Transaction costs:

All transaction costs in respect of purchases and sales of investments are recorded as part of investment management fees in the Statement of Changes in Net Assets Available for Benefits.

(g) Foreign exchange:

Transactions denominated in foreign currencies are translated into Canadian dollars at the rates of exchange in effect on the dates of the transactions. At each reporting date, the market value of foreign currency denominated assets and liabilities is translated using the rates of exchange at that date. The resulting gains and losses from changes in these rates are recorded as part of the change in fair value of investments in the Statement of Changes in Net Assets Available for Benefits.

(h) Contributions:

Contributions due to the Plan are recorded on an accrual basis. Transfers to the Plan and purchases of prior service are recorded when cash is received.

(i) Benefits:

Payments of pensions, refunds and transfers out of the Plan are recorded in the period in which they are paid.

2. Significant accounting policies – continued:

(j) Pension obligations:

The value of accrued pension benefits payable in the future to members and changes therein during the year are based on an actuarial valuation prepared by an independent firm of actuaries. This valuation for accounting purposes is made as at December 31^{st}. It uses the projected benefit method pro-rated on service and best estimate assumptions, as at the valuation date, of various economic and non-economic future events. The differences between the financial statement surplus resulting from this accounting valuation and the regulatory deficit resulting from the triennial valuation for funding purposes (see note 1(b) above) is explained in note 5.

(k) Use of estimates:

Preparation of the financial statements requires management to make estimates and assumptions, based on the information available as at the date of the financial statements, which affect the reported value of assets and liabilities, and related income and expenses. Such estimates and assumptions affect primarily the value of investments and pension obligations. Actual results could differ from those presented.

3. Investments:

RBC Investor Services Trust is the custodian of the Plan. RBC Global Asset Management Inc., Burgundy Asset Management Ltd., TD Asset Management Inc., State Street Global Advisors Ltd., Fidelity Institutional Asset Management, Alberta Treasury Branch Wealth, Arrowstreet Capital, and Mawer Investment Management Ltd. act as the investment managers for the Plan.

Investments are stated at fair value. The Plan's investments consist of the following:

a) Money market investments:

	2020	2019
Canadian short-term investments	$ 2,206	$ 2,424

Money market investments are primarily securities issued by Federal and Provincial governments, Canadian Chartered Banks and Canadian corporations with maturities under one year.

(in thousands of dollars)

3. Investments – continued:

b) Real estate fund:

		2020		2019
Greystone Real Estate Fund Inc.	$	45,035	$	45,899

The real estate fund units are valued using the total appraised value of the individual properties. The working capital and underlying mortgages of each property are fair value-based and are combined with the appraised value of real estate properties to determine the fair value of the real estate investments.

c) Bonds and debentures:

		2020		2019
Pooled fixed income funds	$	88,524	$	97,183

The fair value of these instruments is based on quoted bid prices in an active market, when available. When quoted market prices in an active market are not available, the fair value is based on a valuation technique, being the present value of the principal and interest receivable discounted at appropriate market interest rates.

d) Equities and pooled funds:

		2020		2019
Canadian pooled equity funds	$	167,370	$	152,332
Foreign pooled equity funds		34,494		30,553
Total equities and pooled funds	$	201,864	$	182,885

Pooled equity funds do not have a quoted price in an active market. Fair value is based on net asset values, obtained from the managers of the funds, which are determined with reference to the fair value of the underlying listed investments of each fund.

3. Investments – continued:

e) Mortgages:

		2020		2019
Bona Vista Mortgage Fund "B"	$	21,751	$	14,800

Mortgages are secured by real estate and represent one to five year loans made at commercial rates to individuals and corporations, amortized over periods ranging from ten to twenty-five years. Mortgages are valued using current market yields. Fair value is based on a valuation technique, being the present value of the principal and interest receivable discounted at appropriate market interest rates.

f) Financial risk management:

i) Risk policy:

The value of the Plan's assets is affected by short-term changes in interest rates and equity markets. Interest rate changes directly impact the value of fixed income securities. Interest rates, along with inflation and salary escalation, also impact the Plan's pension obligations. The Plan manages these risks through the establishment of an appropriate asset mix. The investment policy of the Plan states that the Plan's assets should be prudently managed to assist in avoiding actuarial deficits and excessive volatility in annual rates of return.

The Plan's risk philosophy is that in order to achieve long-term investment goals, the Plan must invest in assets that have uncertain returns, such as Canadian equities, foreign equities and non-government bonds. The Plan has moderate to moderately high risk tolerance. As a result, an investment philosophy with an equity bias has been adopted. The Board of Trustees attempts to reduce the overall level of risk by diversifying the asset classes and further diversifying within each individual asset class. The overall risk posture of the Plan is influenced by demographics as well as the funded position of the Plan.

The long-term investment goal of the Plan is to achieve a minimum annualized return of 3.75 percentage points in excess of the Canadian Consumer Price Index. This 3.75% real return objective is consistent with the overall investment risk level that the Plan could assume in order to meet the pension obligations of the Plan, and normally will be assessed over longer time periods.

(in thousands of dollars)

3. Investments – continued:

f) Financial risk management (continued):

i) Risk policy (continued)

The Plan's investment policy contains specific performance objectives for the Plan and for the investment managers. The primary objective is to outperform a benchmark portfolio over moving four-year periods. The benchmark portfolio includes several key market indices such as the S&P/TSX Composite, the S&P 500 Hedged, MSCI EAFE, the DEX Universe Bond Index, the Investment Property Databank, the DEX Mortgage and 91-day T-Bills. A second objective is to equal or exceed market returns over moving four-year periods. A third objective, as previously mentioned, is to achieve a minimum real rate of return of 3.75%; that is, the Canadian Consumer Price Index plus 3.75% over moving four-year periods.

(ii) Credit risk:

Credit risk arises from the potential for an investee to fail or default on its contractual obligations to the Plan. The Plan's primary source of credit risk arises from its bond portfolio. The Plan manages these risks through credit quality limits defined in the Plan's Statement of Investment Policies and Goals. Within the bond portfolio, credit exposure is mitigated by establishing a minimum credit quality for corporate bonds of investment grade (which includes bonds rated AAA, AA, A and BBB or equivalent as rated by an independent rating agency). A maximum of 10% of the bond portfolio is permitted in the lower credit quality BBB bonds, with the remaining 90% required to be in bonds rated A or higher. In addition to ensuring diversification by major asset class, exposure to individual corporate entities is also restricted within the Plan's Statement of Investment Policies and Goals to 10% of the value of individual equity and bond portfolios as well as at the total portfolio level.

Exposure to bond sectors (credit risk):

	2020	2019
Pooled fixed income funds	$ 88,524	$ 97,183

(in thousands of dollars)

3. Investments – continued:

f) Financial risk management (continued):

(iii) Foreign currency risk:

The Plan is exposed to foreign currency risk through holding foreign equities where the investment values may fluctuate due to changes in foreign exchange rates. The Plan manages and estimates foreign currency risk by focusing on equity distribution by country invested in. The policy limits foreign currency exposure of bond investments to 10% of market value of the bond portfolio. The exposure to US currency is net of investments in pooled funds where US currency is hedged. At December 31, 2020, the Plan's foreign currency exposure was $172,132 (2019 - $149,540).

	2020	2019
U.S. dollar	$ 88,484	$ 68,174
Euro	16,194	19,309
Japanese yen	11,467	8,511
British pound	11,017	10,582
Swiss franc	3,665	5,619
Hong Kong dollar	2,014	1,688
Other	39,291	35,657
	$ 172,132	$ 149,540

(iv) Interest rate risk:

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's cash flows, financial position and income. This risk is the difference arising from differences in the timing and amount of cash flows related to the Plan's assets and liabilities.

At December 31, 2020, the Plan’s interest-bearing financial instruments totaled $90,735 (2019 - $99,612).

	2020	2019
Cash and short term investments	$ 2,211	$ 2,429
Bonds and debentures	88,524	97,183
	$ 90,735	$ 99,612

Modified duration is a measurement of the sensitivity of the price of a fixed income investment to a change in interest rate. All else being equal, the market value of a fixed income investment with a duration of 6 years would be expected to decrease by 6% for every 1% increase in interest rates.

(in thousands of dollars)

3. Investments – continued:

f) Financial risk management (continued):

(iv) Interest rate risk (continued):

The modified duration of the Plan's fixed income investments is as follows:

	2020	2019
Bona Vista bonds	8.30%	7.70%
Fidelity bonds	8.50%	7.80%
Short term investments	0.13%	0.25%
Weighted average of bonds	8.43%	7.76%
Weighted average including short term investments	8.23%	7.57%

The Plan holds approximately 25.2% (2019 - 29.0%) of its investments in fixed income securities, 56.2% (2019 - 53.3%) in equities and 18.6% (2019 - 17.7%) in alternatives at December 31, 2020.

(v) Equity price risk:

Equity price risk is the risk that the fair value or future cash flows of an equity investment will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual equity instrument, or factors affecting similar equity instruments traded in the market.

The investment portfolio is directly exposed to equity price risk in respect of its equities which total $201,864 at December 31, 2020 (2019 - $182,885).

(vi) Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

As at December 31, 2020, the Plan has other liabilities of $1,223 (2019 - $1,009). Other liabilities relate to accounts payable and accrued liabilities and bank indebtedness and will generally be settled within 90 days of the year end.

As at December 31, 2020, the Plan held cash and money market instruments totaling $2,211 (2019 - $2,429) which are readily available to settle such obligations.

The Plan's Statement of Investment Policies and Goals sets out requirements for the Plan to maintain an adequate amount of liquid assets with varying maturities in order to ensure that the Plan can meet all of its financial obligations as they fall due.

(in thousands of dollars)

3. Investments – continued:

f) Financial risk management (continued):

(vii) Fair value hierarchy:

	Level 1	Level 2	Level 3	Balance as at December 31, 2020
Money market investments	$ -	$ 2,206	$ -	$ 2,206
Real estate fund	-	-	45,035	45,035
Bonds and debentures	-	88,524	-	88,524
Equities and pooled funds	-	201,864	-	201,864
Mortgages	-	-	21,751	21,751
	$ -	$ 292,594	$ 66,786	$ 359,380

	Level 1	Level 2	Level 3	Balance as at December 31, 2019
Money market investments	$ -	$ 2,424	$ -	$ 2,424
Real estate fund	-	-	45,899	45,899
Bonds and debentures	-	97,183	-	97,183
Equities and pooled funds	-	182,885	-	182,885
Mortgages	-	-	14,800	14,800
	$ -	$ 282,492	$ 60,699	$ 343,191

There were no significant transfers of investments between levels during the year.

The following table reconciles movement in the Plan's Level 3 fair value measurements:

	Mortgages	Real estate fund	2020 Total
Balance, beginning of year	$ 14,800	$ 45,899	$ 60,699
Acquisitions	7,149	-	7,149
Dispositions	(27)	-	(27)
Loss included in the Statement of Changes in Net Assets Available for Benefits	(171)	(864)	(1,035)
Balance, end of year	$ 21,751	$ 45,035	$ 66,786

(in thousands of dollars)

3. Investments – continued:

f) Financial risk management (continued):

(vii) Fair value hierarchy (continued):

	Mortgages	Real estate fund	2019 Total
Balance, beginning of year	$ 2,494	$ 42,242	$ 44,736
Acquisitions	12,140	-	12,140
Dispositions	(25)	-	(25)
Gain included in the Statement of Changes in Net Assets Available for Benefits	191	3,657	3,848
Balance, end of year	$ 14,800	$ 45,899	$ 60,699

4. Related party transactions:

During the year, the Plan received unfunded liability contributions from the City of Saskatoon, employer of plan members, in the amount of $1,773 (2019 - $1,646) and paid administrative fees of $25 (2019 - $20). Contributions receivable at December 31, 2020 includes $1,636 (2019 - $nil) owing from the City of Saskatoon.

These transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

5. Pension obligations:

An actuarial valuation was prepared as of December 31, 2018 by AON Hewitt, a firm of consulting actuaries. The pension obligations reflected in the Statement of Changes in Pension Obligations as at December 31, 2020 is based on the 2018 valuation extrapolated to December 31, 2020.

The assumptions used in determining the actuarial value of accrued pension benefits were developed by reference to expected long-term market conditions. Significant long-term actuarial assumptions used in the valuation were:

	2020	2019
Expected return on plan assets	6.00%	6.00%
Inflation rate	2.25%	2.25%
Rate of compensation increase (including inflation component)	3.25%	3.25%
Discount rate per annum for all members	6.00%	6.00%
Average remaining service period of active employees	12.0 years	12.0 years

Changes in actuarial assumptions, including mortality assumptions and discount rates, resulted in a change in pension obligation of $nil (2019 - $nil).

(in thousands of dollars)

5. Pension obligations – continued:

Experience gains and losses represent the change in pension obligations due to the difference between actual economic and demographic experience and expected experience. During 2020, experience gains were $nil (2019 - $nil).

The surplus of net assets available for benefits relative to the pension obligations results in the Plan being in a surplus position of $34,869 as at December 31, 2020 (2019 - $18,481).

6. Funding policy:

Effective for January 1, 2016 the Plan was amended to close the Plan to new entrants, freeze pensionable service in the Plan, cease member contributions and change the cost sharing arrangement in the Plan such that the Board of Police Commissioners assumes full responsibility for all past and future deficits in the Plan. No additional contributions are made by the plan members.

The most recent actuarial valuation for funding purposes was prepared by AON Hewitt as of December 31, 2018 and a copy of the valuation was filed with the Financial and Consumer Affairs Authority of Saskatchewan on September 30, 2019. This valuation disclosed a going concern unfunded liability of $37,437. Commencing on January 1, 2017, the Board of Police Commissioners will be required to make minimum contributions to the Plan of 2.6% of pensionable earnings to fund the deficit. These contributions are required to be made until the next funding recommendation is certified. The effective date of the next actuarial valuation is expected to be December 31, 2021.

The Pension Benefits Act, 1992 (Saskatchewan) requires that an actuarial certificate be filed with the Financial and Consumer Affairs Authority of Saskatchewan at least every three years, or earlier if the Plan is significantly amended.

7. Administration expenses:

	2020	2019
Actuarial fee	$ 61	$ 111
Administrative expenses	53	55
Bank interest	42	45
Custodial fees	35	34
Total administration expenses	$ 191	$ 245

8. COVID-19:

The COVID-19 global pandemic declared in March 2020 has brought forth changes and challenges to all aspects of society and the economy worldwide. As a result, economic uncertainties have arisen which may negatively impact the Plan's assets and investment returns though the potential impact is unknown at this time. The pandemic in Canada has been accompanied by two waves of disease-related deaths. The net effect on short- and long-term mortality from COVID-19 remains unknown at this time. The impact of COVID-19 will affect the results of future valuations to the extent that actual deaths differ from expected.

The Board of Trustees reviewed the ongoing situation at its June 8, 2021 board meeting. As well, consultations with external service providers have occurred and the Board continues to monitor and determine if any corrective action is required. This event will be been taken into consideration in setting the discount rate for the Plan's actuarial valuation for 2021.

DRAFT Financial Statements of

THE SASKATOON POLICE PENSION PLAN

Year ended December 31, 2020

Independent Auditor's Report

To the Board of Trustees of
Saskatoon Police Pension Plan

Opinion

We have audited the financial statements of Saskatoon Police Pension Plan (the "Plan"), which comprise the statement of financial position as at December 31, 2020, and the statements of changes in net assets available for benefits and changes in pension obligations for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively 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, 2020, 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 ("ASPP").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 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.

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 ASPP, 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.

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 GAAS 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 GAAS, 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 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 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 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 that we identify during our audit.

Chartered Professional Accountants
Saskatoon, Saskatchewan
June 8, 2021

THE SASKATOON POLICE PENSION PLAN

DRAFT Statement of Financial Position
(in thousands of dollars)

As at December 31, 2020, with comparative information for 2019

		2020		2019
Assets				
Cash	$	2,957	$	2,778
Investments (note 3)		60,387		43,302
Contributions receivable:				
Employer (note 4)		585		451
Employee		-		223
GST recoverable		9		9
	$	63,938	$	46,763
Liabilities				
Accounts payable and accrued liabilities	$	84		72
		84		72
Net assets available for benefits		63,854		46,691
Pension obligations (note 5)		51,301		38,709
Surplus	$	12,553		7,982

See accompanying notes to financial statements.

Approved by:

____

____

THE SASKATOON POLICE PENSION PLAN

DRAFT Statement of Changes in Net Assets Available for Benefits
(in thousands of dollars)

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Investment income:		
Interest income	$ 10	$ 33
Dividends and distributions	1,996	3,023
	2,006	3,056
Change in fair value:		
Net realized loss on sale of investments	(818)	(1,881)
Change in net unrealized gains on investments	4,740	3,752
	3,922	1,871
Contributions (note 6):		
Employee	5,955	5,603
Employer (note 4)	5,931	5,579
	11,886	11,182
Increase in net assets before expenses and benefits	17,814	16,109
Expenses:		
Investment management fees	254	252
Administration (note 4 and 7)	178	194
	432	446
Benefit payments:		
Retirement benefits	185	80
Refunds and transfers:		
Termination benefits	34	214
Total expenses, payments and transfers	651	740
Increase in net assets	17,163	15,369
Net assets available for benefits, beginning of year	46,691	31,322
Net assets available for benefits, end of year	$ 63,854	$ 46,691

See accompanying notes to financial statements.

THE SASKATOON POLICE PENSION PLAN

DRAFT Statement of Changes in Pension Obligations
(in thousands of dollars)

Year ended December 31, 2020, with comparative figures for 2019

	2020	2019
Pension obligations, beginning of year	$ 38,709	$ 27,512
Increases in pension obligations:		
Pension benefits accrued	10,083	9,484
Interest on accrued pension benefits	2,728	2,007
Decreases in pension obligations:		
Benefits paid	(219)	(294)
Pension obligations, end of year	$ 51,301	$ 38,709

See accompanying notes to financial statements.

1. Description of the plan:

The following description of the Saskatoon Police Pension Plan (the "Plan") is a summary only. For more information, reference should be made to the Plan Agreement.

a) General:

The Plan is a contributory target benefit plan covering all members of the Saskatoon Police Association and executive officers, employed by the Board of Police Commissioners. Under the Plan, contributions are made by the Plan members and the Board of Police Commissioners (the "Sponsor"). The Plan is registered under *The Pension Benefits Act, 1992* (Saskatchewan) registration #1287689.

b) Funding policy:

The Plan requires that members contribute to the Plan at a fixed rate of 9.0% of earnings, which is matched equally by Sponsor contributions. In no case shall the fixed rate contributions exceed 9.5% for either the members or the Sponsor. Any funding requirement over this amount will result in benefit adjustments to reduce the cost of the Plan. The Plan does provide for automatic indexation of pensions in pay, but these may be adjusted based on the funded status of the Plan.

The determination of the Plan's funding requirements is made on the basis of the most recently filed valuation (see note 6).

c) Service pensions:

A service pension is normally available based on 1.75% of the best continuous 240 months' average earnings multiplied by the number of years of contributory service accrued on or after January 1, 2016.

d) Disability provisions:

Periods during which a member is in receipt of workers' compensation, sick bank, or long-term disability insurance benefits count as contributory service. Earnings applied in the pension formula include deemed earnings for a member in receipt of such disability benefits.

e) Death benefits:

In the event of the death of an active member prior to retirement, an amount equal to the commuted value of the member's earned pension, will be paid to the member's spouse, if married, or designated beneficiary, if single.

1. Description of the plan (continued):

f) Survivors' pensions:

The normal form of pension for a single member provides that payments will be made to the member for the member's lifetime and shall include a guarantee that payments shall be made for at least 120 months. If the member dies before receiving 120 monthly payments, the commuted value of the remaining monthly payments shall be paid as a single lump sum payment to the member’s designated beneficiary.

If the member has a spouse on the date of retirement the normal form of pension is a monthly payment payable to the member for the member’s lifetime with the first 60 monthly payments guaranteed. After the member’s death and after 60 monthly payments have been made, the surviving spouse receives 66 ⅔% of the member’s pension for the remainder of the surviving spouse’s lifetime. This normal form of pension for a member with a spouse shall be actuarially equivalent to the normal form of pension paid to a single member. If the member and the member’s spouse die before receiving 60 monthly payments, the commuted value of the remaining monthly payments shall be paid as a single lump sum payment to the member’s designated beneficiary.

g) Termination benefits:

Upon termination of employment prior to becoming vested, a member will receive a refund of the member’s own contributions with interest. Following vesting, the member will also receive the vested portion of the Sponsor contributions based upon service and earnings to date of termination. Vesting occurs once a member completes two years of service.

f) Income taxes:

The Plan is a Registered Pension Trust as defined in the Income Tax Act and is not subject to income taxes.

2. Significant accounting policies:

(a) Basis of presentation:

These financial statements are prepared in accordance with Canadian accounting standards for pension plans. For matters not addressed in accounting standards for pension plans, International Financial Reporting Standards (“IFRS”) have been adopted. These financial statements are prepared on a 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. These financial statements do not portray the funding requirements of the Plan or the benefit security of individual plan members.

The financial statements were authorized for issue by the Investment Committee on June 8, 2021.

2. Significant accounting policies (continued):

(b) Financial assets:

On initial recognition, financial assets are classified as measured at amortized cost (“AC”), fair value through other comprehensive income (“FVOCI”) or fair value through profit and loss (“FVTPL”). The Plan’s financial assets comprise of cash and investments.

Cash consists of balances held with financial institutions which have an initial term to maturity of three months of less and are classified at amortized cost. The cash balances are held with banks with high credit ratings. Accordingly the credit exposure to the Plan is nominal.

Investments are classified as FVTPL and carried at fair value in the statement of financial position.

(c) Fair value measurement:

Fair value is the amount for which an asset can be exchanged between knowledgeable, willing parties in an arm's length transaction. If the financial instrument has a quoted price in an active market, the quoted price is the fair value of the financial instrument. If the market for a financial instrument is not active, fair value is established by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, that technique is used. A valuation technique incorporates all factors that market participants would consider in setting a price. Fair value is estimated on the basis of the results of a valuation technique that makes maximum use of market inputs, and relies as little as possible on entity-specific inputs.

Fair value hierarchy

Investment assets are classified and disclosed in one of the following categories reflecting the significance of inputs used in making the fair value measurement:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

2. Significant accounting policies (continued):

(c) Fair value measurement (continued):

If different levels of inputs are used to measure the fair value of an investment, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. The Plan determines whether transfers between levels have occurred at the end of each reporting period. See note 3 (c) (vii) for this disclosure.

(d) Trade date accounting:

Purchases and sales of financial instruments are recorded on their trade dates.

(e) Investment income and changes in fair value of investments:

Interest and dividends from investments are recorded separately from the change in fair value of such investments as investment income in the Statement of Changes in Net Assets Available for Benefits. Interest, dividends and distributions from pooled funds are recorded on an accrual basis.

Realized and unrealized gains and losses are determined using the average cost basis.

(f) Transaction costs:

All transaction costs in respect of purchases and sales of investments are recorded as part of investment management fees in the Statement of Changes in Net Assets Available for Benefits.

(g) Foreign exchange:

Transactions denominated in foreign currencies are translated into Canadian dollars at the rates of exchange in effect on the dates of the transactions. At each reporting date, the market value of foreign currency denominated assets and liabilities is translated using the rates of exchange at that date. The resulting gains and losses from changes in these rates are recorded as part of the change in fair value of investments in the Statement of Changes in Net Assets Available for Benefits.

(h) Contributions:

Contributions due to the Plan are recorded on an accrual basis. Transfers to the Plan and purchases of prior service are recorded when cash is received.

(i) Benefits:

Payments of pensions, refunds and transfers out of the Plan are recorded in the period in which they are paid.

2. Significant accounting policies (continued):

(j) Pension obligations:

The value of accrued pension benefits payable in the future to members and changes therein during the year are based on an actuarial valuation prepared by an independent firm of actuaries. This valuation for accounting purposes is made as at December 31st. It uses the projected benefit method pro-rated on service and best estimate assumptions, as at the valuation date, of various economic and non-economic future events. The differences between the financial statement surplus resulting from this accounting valuation and the regulatory deficit resulting from the triennial valuation for funding purposes (see note 1(b) above) is explained in note 6.

(k) Use of estimates:

Preparation of the financial statements requires management to make estimates and assumptions, based on the information available as at the date of the financial statements, which affect the reported value of assets and liabilities, and related income and expenses. Such estimates and assumptions affect primarily the fair value of investments and pension obligations. Actual results could differ from those presented.

3. Investments:

RBC Investor Services Trust is the custodian of the Plan. RBC Global Asset Management Inc., Bona Vista Asset Management Ltd., JP Morgan Asset Management Inc., Burgundy Asset Management Ltd., Alberta Treasury Branch Wealth, TD Asset Management Inc., Mawer Investment Management Ltd., and State Street Global Advisors Ltd. act as the investment managers for the Plan.

Investments are stated at fair value. The Plan's investments consist of the following:

a) Real estate fund:

	2020	2019
Greystone Real Estate Fund Inc.	$ 5,856	$ 5,968

The real estate fund units are valued using the total appraised value of the individual properties. The working capital and underlying mortgages of each property are fair value-based and are combined with the appraised value of real estate properties to determine the fair value of the real estate investments.

3. Investments (continued):

b) Equities and pooled funds:

	2020	2019
Canadian pooled equity funds	$ 48,849	$ 34,485
Foreign pooled equity funds	5,682	2,849
Total equities and pooled funds	$ 54,531	$ 37,334

Pooled equity funds do not have a quoted price in an active market. Fair value is based on net asset values, obtained from the managers of the funds, which are determined with reference to the fair value of the underlying listed investments of each fund.

c) Financial risk management:

i) Risk policy:

The value of the Plan's assets is affected by short-term changes in interest rates and equity markets. Interest rate changes directly impact the value of fixed income securities. Interest rates, along with inflation and salary escalation, also impact the Plan's pension obligations. The Plan manages these risks through the establishment of an appropriate asset mix. The investment policy of the Plan states that the Plan's assets should be prudently managed to assist in avoiding benefit reductions and excessive volatility in annual rates of return. Due to the fixed rate of funding contributions, Plan members primarily bear the risk and rewards of investment experience as shortfalls in investment may trigger benefit reductions, while favorable investment performance may result in benefit increases.

The Plan's risk philosophy is that in order to achieve long-term investment goals, the Plan must invest in assets that have uncertain returns, such as Canadian equities, foreign equities, real estate and bonds. The Plan has adopted an asset mix that has a bias to equity investments. The Board of Trustees has attempted to reduce the overall level of risk by diversifying the asset classes and further diversifying by manager and manager style within most asset classes.

The Plan has relatively high risk tolerance, due to the fact that initially all members of the Plan are active employees. As a result, an investment philosophy with an equity bias has been adopted. The overall risk posture of the Plan is influenced by demographics as well as the funded position of the Plan.

3. Investments (continued):

c) Financial risk management (continued):

i) Risk policy (continued):

The long-term investment goal of the Plan is to achieve a minimum annualized rate of return of 6.25 percentage points. The 6.25% return objective is consistent with the overall investment risk level that the Plan could assume in order to meet the pension obligations of the Plan, and normally will be assessed over longer time periods (over ten years or more).

The Plan's investment policy contains specific performance objectives for the Plan and for the investment managers. The primary objective is to earn a rate of return that exceeds the rate of return on a benchmark portfolio. The benchmark portfolio includes several key market indices including the S&P/TSX Composite Capped Index, the S&P 500, the MSCI EAFE Index, the Investment Property Databank, the FTSE TMX Canada Universe Bond Index and FTSE TMX Canada 91-day T-Bills. A secondary objective is to exceed the benchmark index in each of the asset classes in which the investment managers invest.

(ii) Credit risk:

Credit risk arises from the potential for an investee to fail or default on its contractual obligations to the Plan. The Plan manages these risks through credit quality limits defined in the Plan’s Statement of Investment Policies and Procedures. Within the bond portfolio, credit exposure is mitigated by establishing a minimum credit quality for corporate bonds of investment grade (which include bonds rated AAA, AA, A and BBB or equivalent as rated by an independent rating agency). Bonds rated BBB may not be purchased if the purchase would raise the holdings in bonds rated BBB or lower to more than 20% of the market value of the bond portfolio. In addition to ensuring diversification by major asset class, exposure to individual corporate entities is also restricted within the Plan’s Statement of Investment Policies and Procedures to 10% of the value of the individual equity and bond portfolios as well as the total portfolio level. At December 31, 2020, the Plan’s credit risk exposure was $nil (2019 - $nil).

(in thousands of dollars)

3. Investments (continued):

(iii) Foreign currency risk:

The Plan is exposed to foreign currency risk through holding foreign equities where the investment values may fluctuate due to changes in foreign exchange rates. The Plan manages and estimates the foreign currency risk by focusing on equity distribution by country invested in. The policy limits foreign currency exposure of bond investments to 10% of the market value of the bond portfolio. The exposure to U.S. currency is net of investments in pooled funds where U.S. currency is hedged.

At December 31, 2020, the Plan's foreign currency exposure was $47,780 (2019 - $28,016).

	2020	2019
U.S. dollar	$ 31,927	$ 13,881
Euro	2,997	2,196
Japanese yen	2,906	1,001
British pound	2,102	1,122
Swiss franc	714	618
Hong Kong dollar	79	569
Other	7,055	8,629
	$ 47,780	$ 28,016

(iv) Interest rate risk:

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's cash flows, financial position and income. This risk is the difference arising from differences in the timing and amount of cash flows related to the Plan's assets and liabilities.

At December 31, 2020, the Plan’s interest-bearing financial instruments totaled $2,957 (2019 - $2,778).

	2020	2019
Cash	$ 2,957	$ 2,778

The Plan holds approximately 4.7% (2019 - 6.0%) of its investments in fixed income securities, and 95.3% (2019 - 94.0%) in equities and real estate funds at December 31, 2020.

(in thousands of dollars)

3. Investments (continued):

(v) Equity price risk:

Equity price risk is the risk that the fair value or future cash flows of an equity investment will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual equity instrument, or factors affecting similar equity instruments traded in the market.

The investment portfolio is directly exposed to equity price risk in respect of its equities which total $54,531 (2019 - $37,334) at December 31, 2020.

(vi) Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

As at December 31, 2020, the Plan has other liabilities of $84 (2019 - $72). Other liabilities relate to accounts payable and accrued liabilities and bank indebtedness and will generally be settled within 90 days of the year end.

As at December 31, 2020, the Plan held cash and money market instruments totaling $2,957 (2019 - $2,778) which are readily available to settle such obligations.

The Plan's Statement of Investment Policies and Procedures sets out requirements for the Plan to maintain an adequate amount of liquid assets with varying maturities in order to ensure that the Plan can meet all of its financial obligations as they fall due.

(vii) Fair value hierarchy:

	Level 1	Level 2	Level 3	Balance as at December 31, 2020
Real estate fund	$ -	$ -	$ 5,856	$ 5,856
Equities and pooled funds	-	54,531	-	54,531
	$ -	$ 54,531	$ 5,856	$ 60,387

(in thousands of dollars)

3. Investments (continued):

(vii) Fair value hierarchy (continued):

	Level 1	Level 2	Level 3	Balance as at December 31, 2019
Real estate fund	$ -	$ -	$ 5,968	$ 5,968
Equities and pooled funds	-	37,334	-	37,334
	$ -	$ 37,334	$ 5,968	$ 43,302

There were no significant transfers of investments between levels during the year.

The following table reconciles movement in the Plan's Level 3 fair value measurements:

	2020 Real Estate Fund
Balance, beginning of year	$ 5,968
Loss included in the Statement of Changes in Net Assets Available for Benefits	(112)
Balance, end of year	$ 5,856

	2019 Real Estate Fund
Balance, beginning of year	$ 4,505
Acquisitions	1,000
Gain included in the Statement of Changes in Net Assets Available for Benefits	463
Balance, end of year	$ 5,968

4. Related party transactions:

During the year, the Plan received contributions from the City of Saskatoon, employer of plan members, in the amount of $5,931 (2019 - $5,579) and paid administrative fees of $37 (2019 - $32). Contributions receivable at December 31, 2020 includes $585 (2019 - $451) owing from the City of Saskatoon.

These transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(in thousands of dollars)

5. Pension obligations:

An actuarial valuation was prepared as of December 31, 2018 by AON Hewitt, a firm of consulting actuaries. The pension obligations reflected in the Statement of Changes in Pension Obligations as at December 31, 2020 is based on the 2018 valuation extrapolated to December 31, 2020.

The assumptions used in determining the actuarial value of accrued pension benefits were developed by reference to expected long-term market conditions. Significant long-term actuarial assumptions used in the valuation were:

	2020	2019
Expected return on plan assets	6.25%	6.25%
Inflation rate	2.25%	2.25%
Rate of compensation increase (including inflation component)	3.25%	3.25%
Discount rate per annum for all members	6.25%	6.25%
Average remaining service period of active employees	12.6 years	12.6 years

Changes in actuarial assumptions, including mortality assumptions and discount rates, between 2019 and 2020 had a $nil (2019 - $nil) effect on the increase in pension obligation.

Experience gains and losses represent the change in pension obligations due to the difference between actual economic and demographic experience and expected experience. During 2020, experience gains were $nil (2019 - -$nil).

The excess of net assets available for benefits relative to the pension obligations results in the Plan being in a surplus position of $12,553 (2019 - $7,982) as at December 31, 2020.

6. Funding policy:

The Plan requires that members contribute to the Plan at a fixed rate of 9.0% of pensionable earnings, which is matched equally by the Sponsor contributions. In no case shall the fixed rate contributions exceed 9.5% for either the members or the Sponsor. Any funding requirement over this amount will result in benefit adjustments to reduce the cost of the Plan.

The most recent actuarial valuation for funding purposes was prepared by AON Hewitt as of December 31, 2018 and a copy of this valuation was filed with the Financial and Consumer Affairs Authority of Saskatchewan on September 30, 2019. This valuation disclosed a going concern surplus of $5,566. This valuation disclosed that the current fixed contribution rate of 18% is sufficient to meet the Plan’s funding needs, including margin, on a going concern basis. The effective date of the next actuarial valuation is expected to be December 31, 2021.

The Pension Benefits Act, 1992 (Saskatchewan) requires that an actuarial certificate be filed with the Financial and Consumer Affairs Authority of Saskatchewan at least every three years, or earlier if the Plan is significantly amended.

(in thousands of dollars)

7. Administration expenses:

		2020		2019
Administrative expenses	$	93	$	81
Actuarial fees		67		95
Custodial fees		18		18
	$	178	$	194

8. COVID-19:

The COVID-19 global pandemic declared in March 2020 has brought forth changes and challenges to all aspects of society and the economy worldwide. As a result, economic uncertainties have arisen which may negatively impact the Plan's assets and investment returns though the potential impact is unknown at this time. The pandemic in Canada has been accompanied by two waves of disease-related deaths. The net effect on short- and long-term mortality from COVID-19 remains unknown at this time. The impact of COVID-19 will affect the results of future valuations to the extent that actual deaths differ from expected.

The Board of Trustees reviewed the ongoing situation at its June 8, 2021 board meeting. As well, consultations with external service providers have occurred and the Board continues to monitor and determine if any corrective action is required. This event has been taken into consideration in setting the discount rate for the Plan's actuarial valuation for 2021.