2017 Pension Plan Financial Statements

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Financial Statements of

THE SASKATOON FIRE FIGHTERS' PENSION PLAN

Year ended December 31, 2017

THE SASKATOON FIRE FIGHTERS' PENSION PLAN

Statement of Financial Position
(in thousands of dollars)

As at December 31, 2017

	2017	2016
Assets		
Cash	$ 470	$ 371
Investments (note 4)	12,262	5,451
Contributions receivable:		
Employer	262	260
GST recoverable	10	7
	13,004	6,089
Liabilities		
Accounts payable and accrued liabilities	$ 45	$ 19
	45	19
Net assets available for benefits	12,959	6,070
Pension obligations (note 5)	10,672	5,144
Surplus	$ 2,287	$ 926

See accompanying notes to financial statements.

Approved By:

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THE SASKATOON FIRE FIGHTERS' PENSION PLAN

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

Year ended December 31, 2017

	2017	2016
Investments:		
Interest income	$ 93	$ 20
Dividends and distributions	267	25
	360	45
Change in fair value:		
Net realized gain (loss) on sale of investments	(34)	1
Change in net unrealized gains on investments	549	294
	515	295
Contributions:		
Employee	3,223	3,181
Employer	3,223	3,179
	6,446	6,360
Increase in net assets before expenses and benefits	7,321	6,700
Expenses:		
Investment management fees	60	7
Administration (note 7)	196	455
	256	462
Benefit payments:		
Retirement benefits	1	-
Refunds and transfers:		
Termination and death benefits	175	168
Total expenses, payments and transfers	432	630
Increase in net assets	6,889	6,070
Net assets available for benefits, beginning of year	6,070	-
Net assets available for benefits, end of year	$ 12,959	$ 6,070

See accompanying notes to financial statements.

THE SASKATOON FIRE FIGHTERS' PENSION PLAN

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

Year ended December 31, 2017

	2017	2016
Pension obligations, beginning of year	$ 5,144	$ -
Increases in pension obligations:		
Pension benefits accrued	5,228	5,157
Interest on accrued pension benefits	476	155
Decreases in pension obligations:		
Benefits paid	(176)	(168)
Pension obligations, end of year	$ 10,672	$ 5,144

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 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 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. 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.

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 potion 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.

2. Significant accounting policies (continued):

(b) Valuation of investment assets:

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.

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 4 (d) (vii) for this disclosure.

(c) Trade date accounting:

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

2. Significant accounting policies (continued):

(d) Interest and dividends on investments 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 the accrual basis.

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 recorded as part of investment management fees 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.

2. Significant accounting policies (continued):

(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. 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.

(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.

3. Future accounting changes:

IFRS 9, *Financial Instruments* (IFRS 9)

In July 2014, the IASB issued IFRS 9, which introduces new requirements for the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 also introduces additional changes relating to financial liabilities and amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Plan does not intend to early adopt IFRS 9 and the extent of impact of adoption of the standard has not yet been determined.

4. 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 Greystone Investment Management 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:

	2017	2016
Canadian short-term investments	$ -	$ 61

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 pooled fund:

	2017	2016
Greystone Real Estate Fund Inc.	$ 2,642	$ -

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:

	2017	2016
Pooled fixed income funds	$ -	$ 1,903

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.

(in thousands of dollars)

4. **Investments (continued):**

(d) Equities and pooled funds:

	2017	2016
Canadian pooled equity funds	$ 4,603	$ 1,797
U.S. pooled equity funds	2,058	488
Foreign pooled equity funds	2,959	1,202
Total equities and pooled funds	$ 9,620	$ 3,487

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) 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 favourable 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 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.

4. Investments (continued):

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 manager invests.

(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 individual equity and bond portfolios as well as at the total portfolio level.

Exposure to bond sectors (credit risk):

	2017	2016
Pooled fixed income funds	$ -	$ 1,903

(in thousands of dollars)

4. Investments (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, 2017, the Plan's foreign currency exposure was $4,992 (2016 - $1,671).

	2017	2016
U.S. dollar	$ 3,226	$ 857
Euro	318	149
British pound	240	135
Japanese yen	317	124
Swiss franc	233	107
Hong Kong dollar	151	67
Other	507	232
	$ 4,992	$ 1,671

(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, 2017, the Plan's exposure to interest rate risk was $470 (2016 - $2,335).

	2017	2016
Cash and short term investments	$ 470	$ 432
Bonds and debentures	-	1,903
	$ 470	$ 2,335

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)

4. Investments (continued):

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

	2017	2016
Leith Wheeler bonds	-%	7.7%
Weighted average	-%	7.7%

The Plan holds approximately 3.7% (2016 - 40.1%) of its investments in cash and fixed income securities and 96.3% (2016 - 59.9%) in equities and alternatives and equity pooled funds at December 31, 2017.

(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 $9,620 (2016 - $3,487) at December 31, 2017.

(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, 2017, the Plan has other liabilities of $45 (2016 - $19). 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, 2017, the Plan held cash and money market instruments totaling $470 (2016 - $ 432) 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)

4. Investments (continued):

(vii) Fair value hierarchy:

	Level 1	Level 2	Level 3	Balance as at December 31, 2017
Real estate	$ –	$ –	$ 2,642	$ 2,642
Equities and pooled funds	–	9,620	–	9,620
Bonds and debentures	–	–	–	–
Short-term investments	–	–	–	–
	$ –	$ 9,620	$ 2,642	$ 12,262

	Level 1	Level 2	Level 3	Balance as at December 31, 2016
Equities and pooled funds	$ –	$ 3,487	$ –	$ 3,487
Bonds and debentures	–	1,903	–	1,903
Short-term investments	–	61	–	61
	$ –	$ 5,451	$ –	$ 5,451

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:

	Real Estate	2017 Total
Balance, beginning of year	$ -	$ -
Acquisitions	2,500	2,500
Gain included in the Statement of Changes in Net Assets Available for Benefits	142	142
Balance, end of year	$ 2,642	$ 2,642

5. Pension obligations:

An actuarial valuation was prepared as of January 1, 2016 by AON Hewitt, a firm of consulting actuaries. The pension obligation reflected on the Statement of Changes in Pension Obligations as at December 31, 2017 is based on an extrapolation of the January 1, 2016 valuation

(in thousands of dollars)

5. Pension obligations (continued):

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:

	2017	2016
Expected return on plan assets	6.20%	6.20%
Inflation rate	2.25%	2.25%
Rate of compensation increase (including inflation component)	3.25%	3.25%
Discount rate per annum for all members	6.20%	6.20%
Average remaining service period of active employees	13.4 years	13.4 years

The excess of net assets available for benefits relative to pension obligations results in the Plan being in a surplus position of $2,287 (2016 - $926) as at December 31, 2017.

6. Funding policy:

The most recent actuarial valuation for funding purposes was prepared by AON Hewitt as of January 1, 2016 and a copy of this valuation was filed with the Financial and Consumer Affairs Authority of Saskatchewan. 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, 2018. No additional contributions are made by the plan members.

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:

	2017	2016
Administrative expenses	$ 108	$ 52
Actuarial fees	70	382
Custodian fee	19	16
Bank interest (income)	(1)	5
	$ 196	$ 455

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Financial Statements of

CITY OF SASKATOON
FIRE AND PROTECTIVE SERVICES DEPARTMENT
SUPERANNUATION PLAN

Year ended December 31, 2017

CITY OF SASKATOON FIRE AND PROTECTIVE SERVICES DEPARTMENT SUPERANNUATION PLAN

Statement of Financial Position
(in thousands of dollars)

As at December 31, 2017, with comparative information for 2016

		2017	2016
Assets			
Cash	$	631	779
Investments (note 4)		171,878	167,114
Accrued investment income		44	43
GST recoverable		59	48
		172,612	167,984
Liabilities			
Accounts payable and accrued liabilities	$	220	202
Bank indebtedness		1,421	1,494
		1,641	1,696
Net assets available for benefits		170,971	166,288
Pension obligations (note 5)		179,740	178,628
Deficit	$	(8,769)	(12,340)

See accompanying notes to financial statements.

Approved By:

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CITY OF SASKATOON FIRE AND PROTECTIVE SERVICES DEPARTMENT SUPERANNUATION PLAN

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

Year ended December 31, 2017, with comparative information for 2016

		2017	2016
Investments:			
Interest income	$	2,983	2,351
Dividends and distributions		7,210	9,687
Other income		4	-
		10,197	12,038
Change in fair value:			
Net realized gain on sale of investments		2,801	768
Change in net unrealized gains on investments		733	3,135
		3,534	3,903
Contributions (note 6):			
Employer		1,180	23
Employee		5	23
Transfer from other plans		-	45
		1,185	91
Increase in net assets before expenses and benefits		14,916	16,032
Expenses:			
Investment management fees		796	912
Administration (note 7)		190	192
		986	1,104
Benefit payments:			
Retirement benefits		8,802	8,445
Refunds and transfers:			
Transfer to other plans		445	-
Total expenses, payments and transfers		10,233	9,549
Increase in net assets		4,683	6,483
Net assets available for benefits, beginning of year		166,288	159,805
Net assets available for benefits, end of year	$	170,971	166,288

See accompanying notes to financial statements.

CITY OF SASKATOON FIRE AND PROTECTIVE SERVICES DEPARTMENT SUPERANNUATION PLAN

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

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Pension obligations, beginning of year	$ 178,628	$ 168,746
Increases in pension obligations:		
Pension benefits accrued	6	28
Interest on accrued pension benefits	10,353	10,367
Changes in actuarial assumptions	-	6,723
Experience losses	-	1,164
Decreases in pension obligations:		
Benefits paid	(9,247)	(8,400)
Pension obligations, end of year	$ 179,740	$ 178,628

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.

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 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 earned pension any time after age 50 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 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.

1. Description of the plan (continued):

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 his/her own contributions with interest. Following vesting, the member will also receive the vested potion 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 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.

2. Significant accounting policies (continued):

(b) Valuation of investment assets:

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.

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:

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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 4 (d) (vii) for this disclosure.

(c) Trade date accounting:

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

2. Significant accounting policies (continued):

(d) Interest and dividends on investments 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 the accrual basis.

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 recorded as part of investment management fees 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.

2. Significant accounting policies (continued):

(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. 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.

(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.

3. Future accounting changes:

IFRS 9, *Financial Instruments* (IFRS 9)

In July 2014, the IASB issued IFRS 9, which introduces new requirements for the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 also introduces additional changes relating to financial liabilities and amends the impairment model by introducing a new ‘expected credit loss’ model for calculating impairment.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Plan does not intend to early adopt IFRS 9 and the extent of the impact of adoption of the standard has not yet been determined.

4. 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:

		2017		2016
Canadian short-term investments	$	9,914	$	150
Total money market instruments	$	9,914	$	150

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

(b) Bonds and debentures:

		2017		2016
Pooled fixed income funds	$	55,874	$	52,376
Total bonds and debentures	$	55,874	$	52,376

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.

4. Investments (continued):

(c) Equities and pooled funds:

		2017		2016
Canadian common stocks	$	21,475	$	21,487
Canadian real estate pooled funds		7,512		14,921
Canadian pooled equity funds		23,667		22,199
U.S. pooled equity funds		11,890		12,580
Foreign pooled equity funds		41,546		43,401
Total equities and pooled funds	$	106,090	$	114,588

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.

(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 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.

4. Investments (continued):

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 manager invests.

(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):

	2017	2016
Pooled fixed income funds	$ 55,874	$ 52,376

4. Investments (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, 2017, the Plan's foreign currency exposure was $53,118 (2016 - $55,190).

	2017	2016
U.S. dollar	$ 26,729	$ 28,141
Euro	4,731	4,897
Japanese yen	4,545	4,277
British pound	3,951	4,058
Swiss franc	3,362	3,777
Hong Kong dollar	2,180	2,317
Other	7,620	7,723
	$ 53,118	$ 55,190

(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, 2017, the Plan's exposure to interest rate risk was $66,419 (2016 - $53,305).

	2017	2016
Cash and short term investments	$ 10,545	$ 929
Bonds and debentures	55,874	52,376
	$ 66,419	$ 53,305

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.

4. Investments (continued):

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

	2017	2016
Leith Wheeler bonds	7.6%	7.7%
Weighted average	7.6%	7.7%

The Plan holds approximately 38.5% (2016 – 31.8%) of its investments in fixed income securities and 61.5% (2016 – 68.2%) in equities and equity pooled funds at December 31, 2017.

(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 $106,090 at December 31, 2017 (2016 - $114,588).

(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, 2017, the Plan has other liabilities of $1,641 (2016 - $1,696). 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, 2017, the Plan held cash and money market instruments totaling $10,545 (2016 - $929) 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.

4. Investments (continued):

(vii) Fair value hierarchy:

	Level 1	Level 2	Level 3	Balance as at December 31, 2017
Equities and pooled funds	$ 21,475	$ 77,103	$ 7,512	$ 98,578
Bonds and debentures	-	55,874	-	55,874
Short-term investments	-	9,914	-	9,914
	$ 21,475	$ 142,891	$ 7,512	$ 171,878

	Level 1	Level 2	Level 3	Balance as at December 31, 2016
Equities and pooled funds	$ 21,487	$ 78,180	$ 14,921	$ 114,588
Bonds and debentures	-	52,376	-	52,376
Short-term investments	-	150	-	150
	$ 21,487	$ 130,706	$ 14,921	$ 167,114

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, 2016 to December 31, 2017:

	2017
Balance, beginning of year	$ 14,921
Net acquisitions	7,450
Net dispositions	(14,920)
Gain included in the Statement of Changes in Net Assets Available for Benefits	61
Balance, end of year	$ 7,512

5. Pension obligations:

An actuarial valuation was prepared as of December 31, 2015 by AON Hewitt, a firm of consulting actuaries. The pension obligation reflected on the Statement of Changes in Pension Obligations as at December 31, 2017 is based on an extrapolation of the 2015 valuation.

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:

	2017	2016
Expected return on plan assets	6.30%	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	13.0 years	13.0 years

Changes in actuarial assumptions, including mortality assumptions and discount rates, between 2016 and 2017 resulted in an increase in pension obligation of $nil (2016 – $6,723).

Experience gains and losses represent the change in pension obligations due to the difference between actual economic and demographic experience and expected experience. During 2017, experience losses were $nil (2016 – gains of $1,164).

The deficiency of net assets available for benefits relative to pension obligations results in the Plan being in a deficit position of $8,769 as at December 31, 2017 (2016 – deficit of $12,340).

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, 2015 and a copy of this valuation was filed with the Financial and Consumer Affairs Authority of Saskatchewan. This valuation disclosed a going concern unfunded liability of $30,044. 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, 2018.

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:

	2017	2016
Administrative expenses	$ 80	$ 43
Actuarial fee	62	104
Custodian fee	29	29
Bank interest	19	16
	$ 190	$ 192

CITY OF SASKATOON
GENERAL SUPERANNUATION PLAN
FINANCIAL STATEMENTS
December 31, 2017

CITY OF SASKATOON

GENERAL SUPERANNUATION PLAN

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31

(in thousands of dollars)	2017	2016
ASSETS		
Accounts Receivable		
Sponsor's contributions	1,513	1,477
Investment income	1,332	1,022
Other	42	56
	2,887	2,555
Investments (note 3)	860,104	797,631
	862,991	800,186
LIABILITIES		
Operating Bank Account	1,628	2,063
Accounts Payable	979	357
Unsettled Investment Purchases	-	238
	2,607	2,658
NET ASSETS AVAILABLE FOR BENEFITS	860,384	797,527
PENSION OBLIGATIONS (note 6)	815,958	773,904
PENSION SURPLUS	44,426	23,623

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)	2017	2016
INCREASE IN ASSETS		
Investment Income	25,646	23,628
Gain in fair value of investments	52,808	37,488
	78,454	61,116
Employee Contributions - current and past service	16,826	16,048
Employer Contributions	16,434	15,429
Transfers From Other Plans	997	931
	34,257	32,408
	112,710	93,524
DECREASE IN ASSETS		
Retirement Benefits Paid	37,730	35,434
Death Benefits Paid	2,399	516
Refund of Contributions	3,063	936
Transfers To Other Plans	2,803	2,887
Administration Expenses (note 8)	3,859	3,131
	49,854	42,904
INCREASE IN ASSETS AVAILABLE FOR BENEFITS	62,857	50,620
NET ASSETS AVAILABLE FOR BENEFITS - BEGINNING OF YEAR	797,527	746,907
NET ASSETS AVAILABLE FOR BENEFITS - END OF YEAR	860,384	797,527

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

(in thousands of dollars)	2017	2016
INCREASE IN PENSION OBLIGATIONS		
Interest accrued on benefits	48,122	46,238
Accrued pension benefits	24,857	23,144
Experience losses	-	4,162
Change in actuarial assumptions	17,495	14,492
	90,474	88,036
DECREASE IN PENSION OBLIGATIONS		
Benefit payments and transfers	44,998	38,842
Experience gains	3,422	-
	48,420	38,842
NET INCREASE IN PENSION OBLIGATIONS	42,054	49,194
PENSION OBLIGATIONS - BEGINNING OF YEAR	773,904	724,710
PENSION OBLIGATIONS - END OF YEAR	815,958	773,904

CITY OF SASKATOON
GENERAL SUPERANNUATION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(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 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.

1. DESCRIPTION OF THE PLAN (continued)

(i) 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 13, 2018.

(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.

(in thousands of dollars)

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.

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.

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	15	20	27
U.S. equities	7	9.5	12
Non-North American equities	6	8.0	11
Global equities	13	17.5	24
Total Equities		55	
Private Equities	0	5	10
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, 2017

	Fair Value	Cost	Current-year change in fair value	Investment Income	Total return
Cash	$ 3,119	$ 3,119	$ -	$ -	$ -
Short-term investments	1,082	1,082	(36)	18	(18)
	4,201	4,201	(36)	18	(18)
Fixed income investments:					
Bond Pooled Funds	137,265	138,993	721	3,736	4,457
Mortgage Pooled Funds	48,986	49,170	(240)	1,296	1,056
Private Infrastructure Debt Pooled Funds	28,116	29,189	(45)	1,392	1,347
Private Debt Pooled Funds	37,303	37,152	275	1,267	1,542
	251,670	254,504	711	7,691	8,402
Equities:					
Canadian equities	171,403	112,853	12,946	4,270	17,216
U.S equities	84,956	91,269	10,576	2,139	12,715
Non-North American equities	70,251	59,967	11,067	1,868	12,936
Global equities	152,211	161,514	11,516	3,687	15,203
	478,821	425,603	46,104	11,965	58,069
Real Estate Pooled Funds	83,285	80,372	1,270	3,189	4,460
Private Equity Pooled Funds	42,127	21,323	4,758	2,783	7,541
	$ 860,104	$ 786,003	$ 52,808	$ 25,646	$ 78,454

As at and for the year ended December 31, 2016

	Fair Value	Cost	Current-year change in fair value	Investment Income	Total return
Cash	$ 1,042	$ 1,042	$ -	$ -	$ -
Short-term investments	4,163	4,162	(117)	18	(99)
	5,205	5,204	(117)	18	(99)
Fixed income investments:					
Bond Pooled Funds	137,987	140,106	(301)	5,866	5,565
Mortgage Pooled Funds	29,630	29,574	56	540	596
Private Infrastructure Debt Pooled Funds	25,393	26,421	(1,028)	823	(205)
Private Debt Pooled Funds	35,761	35,885	(124)	885	761
	228,771	231,986	(1,397)	8,114	6,717
Equities:					
Canadian equities	164,870	110,690	29,292	3,955	33,247
U.S equities	149,198	119,933	9,421	3,305	12,726
Non-North American equities	138,655	125,678	(5,170)	3,891	(1,279)
	452,723	356,301	33,543	11,151	44,694
Real Estate Pooled Funds	64,372	62,730	192	3,332	3,524
Private Equity Pooled Funds	46,560	26,281	5,267	1,013	6,280
	$ 797,631	$ 682,502	$ 37,488	$ 23,628	$ 61,116

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 at 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 in order 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:	2017		2016	
	$	%	$	%
Federal securities & guarantees	55,436	22.0%	23,813	10.4%
Provincial securities & guarantees	38,128	15.2%	41,983	18.4%
Municipal securities	-	0.0%	761	0.3%
Corporate securities	149,046	59.2%	150,531	65.8%
Other	9,059	3.6%	11,683	5.1%
	251,670	100.0%	228,771	100.0%
Credit Rating				
AAA	57,995	23.0%	29,812	13.0%
AA	39,958	15.9%	52,705	23.0%
A	49,451	19.6%	67,491	29.5%
BBB	39,632	15.7%	59,962	26.2%
Non-investment grade	15,648	6.2%	10,131	4.4%
Not rated	48,986	19.6%	8,669	3.8%
	251,670	100.0%	228,771	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 29.3% (2016 – 28.8%) 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):

	2017	2016
Impact on Value	6.47%	6.94%
Fixed income portfolio Value	$ 251,670	$ 228,771
1% increase in rate	(16,285)	(15,875)
1% decrease in rate	16,285	15,875

(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. At December 31, the Plan's most significant foreign currency exposure was:

	2017	2016
Foreign Currency	Exposure in CAD	
U.S. Dollars	$ 182,500	$ 115,797
Euros	52,658	59,659
Pounds Sterling	33,504	22,672
Japanese Yen	28,007	18,037
Swiss Franc	11,474	10,286
Other	32,661	24,286
	$ 340,804	$ 250,737

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:

	2017	2016
Foreign Currency	Exposure in CAD	
U.S. Dollars	$ +/- 1,825	$ +/- 1,158
Euros	527	597
Pounds Sterling	335	227
Japanese Yen	280	180
Swiss Franc	115	103
	$ +/- 3,082	$ +/- 2,265

(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 $478,821 at December 31, 2017 (2016 - $452,723). 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			
	2017		2016	
Public Equity Market	Increase	Decrease	Increase	Decrease
Canadian	$ 1,714	$ (1,714)	$ 1,649	$ (1,649)
U.S.	850	(850)	1,492	(1,492)
Non-North American	702	(702)	1,387	(1,387)
Global	1,522	(1,522)	-	-
	$ 4,788	$ (4,788)	$ 4,527	$ (4,527)

(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, 2017, the Plan has total financial liabilities of $2,607 (2016 - $2,658) consisting of accounts payable and bank indebtedness that will generally be settled within 90 days of the year end.

As at December 31, 2017, the Plan held cash and short-term investments totalling $4,201 (2016 – $5,205) 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, 2017
Equities	$ 165,913	$ 312,907	$ 125,413	$ 604,233
Fixed Income Securities	-	186,252	65,418	251,670
Cash and Short-term Instruments	3,438	763	-	4,201
	$ 169,351	$ 499,922	$ 190,831	$ 860,104

	Level 1	Level 2	Level 3	Balance as at December 31, 2016
Equities	$ 226,360	$ 226,363	$ 110,932	$ 563,655
Fixed Income Securities	-	167,617	61,154	228,771
Cash and Short-term Instruments	3,404	1,801	-	5,205
	$ 229,764	$ 395,781	$ 172,086	$ 797,631

There were no significant transfers of investments between Level 1 and Level 2 during 2017 or 2016.

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

	2017	2016
Fair Value, Beginning of Year	$ 172,086	$ 99,674
Transfers to level 3 for purchases	4,801	62,788
Investment income, net of fees	7,684	5,316
Current-year change in fair value	6,260	4,308
Fair Value, End of Year	$ 190,831	$ 172,086

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, 2017, these potential unfunded commitments totalled $30,564 (2016: $43,332). 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, 2017 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, 2016. The next actuarial valuation required to be filed with FCAA will be prepared as of December 31, 2019.

The Statement of Changes in Pension Obligations displays the actuarial present value of benefits as at December 31, 2017. 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:

	2017	2016
Asset rate of return	6.25%	6.30%
Discount rate	6.25%	6.30%
Salary escalation rate	3.00% + merit	3.25% + merit
Inflation rate	2.25%	2.25%
Mortality	CPM Private Table	CPM Private Table

Changes in actuarial assumptions between 2017 and 2016 resulted in an increase in the pension obligations of $17,495 (2016 - $14,492).

Experience gains and losses represent the change in pension obligations due to the difference between actual economic and demographic experience and expected experience. During 2017, experience gains were $3,422 (2016 – loss of $4,162).

The pension obligations 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:

	2017	2016
Pension Obligations	$ 815,958	$ 773,904
0.50% increase in rate	(49,849)	(47,279)
0.50% decrease in rate	55,794	52,919

(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.

	2017	2016
Surplus (deficit) for funding	$ (37,674)	$ (49,042)
Actuarial smoothing adjustment	28,522	28,025
Provision for adverse deviations	53,578	44,640
Surplus (deficit) for financial statements	44,426	23,623

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, 2016 and a copy of this valuation was filed in 2017. 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.

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 2016 and 2015 fiscal years and subsequent years the following contribution rates have been recommended:

	Year	Salary below the YMPE *	Salary above the YMPE *
Member contribution rate	2016	8.4%	10.0%
	2017	8.4%	10.0%
	2018	8.4%	10.0%

* The year's maximum pensionable earnings (YMPE) were $55,300 in 2017 and $54,900 in 2016.

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.

	2017	2016
Investment management fees	$ 3,270	$ 2,577
Pension administration	263	263
Actuarial fees	91	80
Other administration	235	210
	$ 3,859	$ 3,131

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. During the year the following transactions were recorded between the Plan and the City of Saskatoon:

	2017	2016
Plan Sponsor's contributions	$ 16,434	$ 15,429
Administration expenses	263	263
Receivable from Plan Sponsor	1,513	1,477
Payable to Plan Sponsor	263	-

DRAFT Financial Statements of

THE SASKATOON POLICE PENSION PLAN

Year ended December 31, 2017

THE SASKATOON POLICE PENSION PLAN

Statement of Financial Position
(in thousands of dollars)

As at December 31, 2017

	2017	2016
Assets		
Cash	$ 387	$ -
Investments (note 4)	20,702	9,176
Contributions receivable:		
Employee	-	464
Employer	404	809
GST recoverable	11	5
	21,504	10,454
Liabilities		
Accounts payable and accrued liabilities	$ 48	$ 239
Bank indebtedness	-	509
	48	748
Net assets available for benefits	21,456	9,706
Pension obligations (note 5)	18,273	8,617
Surplus	$ 3,183	$ 1,089

See accompanying notes to financial statements.

Approved by:

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THE SASKATOON POLICE PENSION PLAN

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

Year ended December 31, 2017

	2017	2016
Investment income:		
Interest income	$ 26	$ 96
Dividends and distributions	813	36
	839	132
Change in fair value:		
Net realized gain (loss) on sale of investments	(192)	19
Change in net unrealized gains on investments	1,129	388
	937	407
Contributions:		
Employee	5,196	4,980
Employer	5,196	4,980
	10,392	9,960
Increase in net assets before expenses and benefits	12,168	10,499
Expenses:		
Investment management fees	92	11
Administration (note 7)	218	561
	310	572
Benefit payments:		
Retirement benefits	9	-
Refunds and transfers:		
Termination benefits	54	221
Death benefits	45	-
Total expenses, payments and transfers	418	793
Increase in net assets	11,750	9,706
Net assets available for benefits, beginning of year	9,706	-
Net assets available for benefits, end of year	$ 21,456	$ 9,706

See accompanying notes to financial statements.

THE SASKATOON POLICE PENSION PLAN

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

Year ended December 31, 2017

	2017	2016
Pension obligations, beginning of year	$ 8,617	$ -
Increases in pension obligations:		
Pension benefits accrued	8,949	8,577
Interest on accrued pension benefits	815	261
Decreases in pension obligations:		
Benefits paid	(108)	(221)
Pension obligations, end of year	$ 18,273	$ 8,617

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 66 ⅔% 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. 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.

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 potion 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.

2. Significant accounting policies – continued:

(b) Valuation of investment assets:

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. 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).

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 4 (f) (vii) for this disclosure.

(c) Trade date accounting:

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

2. Significant accounting policies – continued:

(d) 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 the accrual basis.

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 recorded as part of investment management fees 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.

2. Significant accounting policies – continued:

(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 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.

(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 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. Future accounting changes:

IFRS 9, *Financial Instruments* (IFRS 9)

In July 2014, the IASB issued IFRS 9, which introduces new requirements for the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 also introduces additional changes relating to financial liabilities and amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Plan does not intend to early adopt IFRS 9 and the extent of the impact of adoption of the standard has not yet been determined.

4. Investments:

RBC Investor Services Trust is the custodian of the Plan. Bona Vista Asset Management Ltd., JP Morgan Asset Management Inc., Burgundy Asset 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) Money market investments:

	2017	2016
Canadian short-term investments	$ -	$ 142

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 pooled fund:

	2017	2016
Greystone Real Estate Fund Inc.	$ 3,212	$ -

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:

	2017	2016
Pooled fixed income funds	$ -	$ 3,311

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.

4. Investments – continued:

d) Equities and pooled funds:

	2017	2016
Canadian pooled equity funds	$ 11,605	$ 2,268
Foreign pooled equity funds	5,885	3,455
Total equities and pooled funds	$ 17,490	$ 5,723

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.

e) 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 favourable 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.

(in thousands of dollars)

4. Investments – 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 manager invests.

(ii) Credit risk:

Credit risk arises from the potential for an investee to fail or default on its contractual obligation 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 individual equity and bond portfolios as well as at the total portfolio level.

Exposure to bond sectors (credit risk):

	2017	2016
Pooled fixed income funds	$ -	$ 3,311

(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.

(in thousands of dollars)

4. Investments – continued:

At December 31, 2017, the Plan's foreign currency exposure was $12,964 (2016 - $3,525).

	2017	2016
U.S. dollar	$ 6,257	$ 1,756
Euro	689	444
Japanese yen	981	385
British pound	391	377
Swiss franc	258	160
Hong Kong dollar	348	79
Other	4,040	324
	$ 12,964	$ 3,525

(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, 2017, the Plan’s interest-bearing financial instruments totaled $387 (2016 - $3,453).

	2017	2016
Cash and short term investments	$ 387	$ 142
Bonds and debentures	-	3,311
	$ 387	$ 3,453

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)

4. Investments – continued:

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

	2017	2016
Bonds	-%	7.59%
Short term investments	-%	0.25%
Weighted average of bonds	-%	7.59%
Weighted average including short term investments	-%	7.29%

The Plan holds approximately 1.8% (2016 - 37.6%) of its investments in fixed income securities, and 98.2% (2016 - 62.4%) in equities at December 31, 2017.

(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 $17,490 (2016 - $5,723) at December 31, 2017.

(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, 2017, the Plan has other liabilities of $48 (2016 - $748). 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, 2017, the Plan held cash and money market instruments totaling $387 (2016 - $142) 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)

4. Investments – continued:

(vii) Fair value hierarchy:

		Level 1		Level 2		Level 3		Balance as at December 31, 2017
Real estate pooled fund	$	-	$	-	$	3,212	$	3,212
Equities and pooled funds				17,490		-		17,490
	$	-	$	17,490	$	3,212	$	20,702

		Level 1		Level 2		Level 3		Balance as at December 31, 2016
Money market investments	$	-	$	142	$	-	$	142
Bonds and debentures		-		3,311		-		3,311
Equities and pooled funds				5,723		-		5,723
	$	-	$	9,176	$	-	$	9,176

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:

		Real Estate		2017 Total
Balance, beginning of year	$	-	$	-
Acquisitions		3,000		3,000
Gain included in the Statement of Changes in Net Assets Available for Benefits		212		212
Balance, end of year	$	3,212	$	3,212

5. Pension obligations:

An actuarial valuation was prepared as of January 1, 2016 by AON Hewitt, a firm of consulting actuaries. The pension obligations reflected in the Statement of Changes in Pension Obligations as at December 31, 2017 is based on an extrapolation of the January 1, 2016 valuation.

(in thousands of dollars)

5. Pension obligations - continued:

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:

	2017	2016
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	13.0 years	13.0 years

The excess of net assets available for benefits relative to the pension obligations results in the Plan being in a surplus position of $3,183 (2016 - $1,089) as at December 31, 2017.

6. 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 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 January 1, 2016 and a copy of this valuation was filed with the Financial and Consumer Affairs Authority of Saskatchewan. 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, 2018.

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:

	2017	2016
Administrative expenses	$ 121	$ 66
Actuarial fees	78	463
Custodial fees	17	17
Bank interest	2	15
	$ 218	$ 561

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Financial Statements of

CITY OF SASKATOON
POLICE SUPERANNUATION PLAN

Year ended December 31, 2017

CITY OF SASKATOON POLICE SUPERANNUATION PLAN

Statement of Financial Position
(in thousands of dollars)

As at December 31, 2017, with comparative information for 2016

	2017	2016
Assets		
Cash	$ 6	$ 455
Investments (note 4)	335,768	321,605
Accrued investment income	-	43
GST recoverable	143	120
	$ 335,917	$ 322,223
Liabilities		
Accounts payable and accrued liabilities	$ 405	$ 1,365
Bank indebtedness	521	199
	926	1,564
Net assets available for benefits	334,991	320,659
Pension obligations (note 5)	323,790	323,731
Surplus (deficit)	$ 11,201	$ (3,072)

See accompanying notes to financial statements.

Approved by:

CITY OF SASKATOON POLICE SUPERANNUATION PLAN

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

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Investment income:		
Interest income	$ 3,101	$ 3,414
Dividends and distributions	16,448	9,792
	19,549	13,206
Change in fair value:		
Net realized gain on sale of investments	19,429	1,789
Change in net unrealized gains (losses) on investments	(5,241)	10,753
	14,188	12,542
Contributions (note 6):		
Employee	10	37
Employer	1,419	2
Transfer from other plans	-	24
	1,429	63
Increase in net assets before expenses and benefits	35,166	25,811
Expenses:		
Investment management fees	1,781	1,835
Administration (note 7)	234	271
	2,015	2,106
Benefit payments:		
Retirement benefits	15,859	15,522
Refunds and transfers:		
Termination benefits	1,152	465
Death benefits	1,808	-
Total expenses, payments and transfers	20,834	18,093
Increase in net assets	14,332	7,718
Net assets available for benefits, beginning of year	320,659	312,941
Net assets available for benefits, end of year	$ 334,991	$ 320,659

See accompanying notes to financial statements.

CITY OF SASKATOON POLICE SUPERANNUATION PLAN

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

Year ended December 31, 2017, with comparative figures for 2016

	2017	2016
Pension obligations, beginning of year	$ 323,731	$ 303,734
Increases in pension obligations:		
Pension benefits accrued	18	4
Interest on accrued pension benefits	18,860	19,521
Changes in actuarial assumptions	-	23,660
Decreases in pension obligations:		
Benefits paid	(18,819)	(15,928))
Experience gains	-	(7,260)
Pension obligations, end of year	$ 323,790	$ 323,731

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 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 6).

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 provides that payments will be made to the member for the member's lifetime with 66 2/3% 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 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.

2. Significant accounting policies – continued:

(b) Valuation of investment assets:

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. 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).

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 4 (f) (vii) for this disclosure.

(c) Trade date accounting:

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

2. Significant accounting policies – continued:

(d) 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 the accrual basis.

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 recorded as part of investment management fees 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.

2. Significant accounting policies – continued:

(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 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.

(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 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. Future accounting changes:

IFRS 9, *Financial Instruments* (IFRS 9)

In July 2014, the IASB issued IFRS 9, which introduces new requirements for the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 also introduces additional changes relating to financial liabilities and amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Plan does not intend to early adopt IFRS 9 and the extent of the impact of adoption of the standard has not yet been determined.

(in thousands of dollars)

4. Investments:

RBC Investor Services Trust is the custodian of the Plan. Bona Vista Asset Management Ltd., JP Morgan Asset Management Inc., Burgundy Asset Management Ltd., Greystone Managed Investments Inc., State Street Global Advisors Ltd., Fidelity Institutional Asset Management and Arrowstreet Capital 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:

	2017	2016
Canadian short-term investments	$ 3,206	$ 1,789

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:

	2017	2016
Greystone Real Estate Fund Inc.	$ 38,875	$ 35,138

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:

	2017	2016
Pooled fixed income funds	$ 109,032	$ 88,025

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.

(in thousands of dollars)

4. Investments – continued:

d) Equities and pooled funds:

		2017		2016
Canadian common stocks	$	-	$	19,615
Canadian pooled equity funds		127,031		104,164
Foreign pooled equity funds		57,313		72,273
Total equities and pooled funds	$	184,344	$	196,052

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 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.

e) Mortgages:

		2017		2016
Bona Vista Mortgage Fund “B”	$	311	$	601

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 the long-term investment goals, the Plan must invest in assets that have uncertain returns, such as Canadian equities,

4. Investments – continued:

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 4.10 percentage points in excess of the Canadian Consumer Price Index. This 4.10% 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 manager. 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 3.50%; that is, the Canadian Consumer Price Index plus 3.50% over moving four-year periods.

(ii) Credit risk:

Credit risk arises from the potential for an investee to fail or default on its contractual obligation 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.

(in thousands of dollars)

4. Investments – continued:

Exposure to bond sectors (credit risk):

	2017	2016
Pooled fixed income funds	$ 109,032	$ 88,025

(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, 2017, the Plan's foreign currency exposure was $134,055 (2016 - $139,970).

	2017	2016
U.S. dollar	$ 62,080	$ 64,811
Euro	11,612	14,333
Japanese yen	16,190	14,092
British pound	6,597	12,245
Swiss franc	4,322	4,083
Hong Kong dollar	2,993	2,710
Other	30,261	27,696
	$ 134,055	$ 139,970

(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.

(in thousands of dollars)

4. Investments – continued:

At December 31, 2017, the Plan's interest-bearing financial instruments totaled $112,244 (2016 – $90,269).

	2017	2016
Cash and short term investments	$ 3,212	$ 2,244
Bonds and debentures	109,032	88,025
	$ 112,244	$ 90,269

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 fixed income investments is as follows:

	2017	2016
Bona Vista bonds	7.35%	7.59%
State Street Global Advisors bonds	7.28%	7.40%
Short term investments	.25%	0.25%
Weighted average of bonds	7.31%	7.48%
Weighted average including short term investments	7.11%	7.30%

The Plan holds approximately 33.4% (2016 – 28.0%) of its investments in fixed income securities, 54.9% (2016 – 60.9%) in equities and 11.7% (2016 – 11.1%) in alternatives at December 31, 2017.

(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 $184,344 at December 31, 2017 (2016 - $196,052).

(vi) Liquidity risk:

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

(in thousands of dollars)

4. Investments – continued:

As at December 31, 2017, the Plan has other liabilities of $926 (2016 - $1,564). 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, 2017, the Plan held cash and money market instruments totaling $3,212 (2016 - $2,244) 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	Balance as at December 31, 2017
Money market investments	$ -	$ 3,206	$ -	$ 3,206
Real estate pooled fund	-	-	38,875	38,875
Bonds and debentures	-	109,032	-	109,032
Equities and pooled funds	-	184,344	-	184,344
Mortgages	-	-	311	311
	$ -	$ 296,582	$ 39,186	$ 335,768

	Level 1	Level 2	Level 3	Balance as at December 31, 2016
Money market investments	$ -	$ 1,789	$ -	$ 1,789
Real estate pooled fund	-	-	35,138	35,138
Bonds and debentures	-	88,025	-	88,025
Equities and pooled funds	19,615	176,437	-	196,052
Mortgages	-	-	601	601
	$ 19,615	$ 266,251	$ 35,739	$ 321,605

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

(in thousands of dollars)

4. Investments – continued:

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

		Mortgages		Real Estate		2017 Total
Balance, beginning of year	$	601	$	35,138	$	35,739
Dispositions		(290)		-		(290)
Gain included in the Statement of Changes in Net Assets Available for Benefits		-		3,737		3,737
Balance, end of year	$	311	$	38,875	$	39,186

		Mortgages		Real Estate		2016 Total
Balance, beginning of year	$	940	$	32,621	$	33,561
Dispositions		(339)		-		(339)
Gain included in the Statement of Changes in Net Assets Available for Benefits		-		2,517		2,517
Balance, end of year	$	601	$	35,138	$	35,739

5. Pension obligations:

An actuarial valuation was prepared as of December 31, 2015 by AON Hewitt, a firm of consulting actuaries. The pension obligations reflected in the Statement of Changes in Pension Obligations as at December 31, 2017 is based on an extrapolation of the 2015 valuation.

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:

	2017	2016
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	13.0 years	13.0 years

Changes in actuarial assumptions, including mortality assumptions and discount rates, resulted in an increase in pension obligation of $nil (2016 – $23,660).

(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 2017, experience gains were $nil (2016 – $7,260).

The deficiency of net assets available for benefits relative to the pension obligations results in the Plan being in a surplus position of $11,201 as at December 31, 2017 (2016 – deficit position of $3,072).

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, 2015 and a copy of the valuation was filed with the Financial and Consumer Affairs Authority of Saskatchewan. This valuation disclosed a going concern unfunded liability of $36,132. 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, 2018.

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:

	2017	2016
Administrative expenses	$ 90	$ 48
Actuarial fee	79	147
Custodial fees	36	42
Bank interest	29	34
Total administration expenses	$ 234	$ 271

Draft Financial Statements of

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

Year ended December 31, 2017

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

Statement of Financial Position
(in thousands of dollars)

As at December 31, 2017, with comparative information for 2016

		2017	2016
Assets			
Investments (note 4)	$	9,946	9,476
Contributions receivable:			
Employee		4	4
Employer		15	12
GST recoverable		6	6
		9,971	9,498
Liabilities			
Accounts payable and accrued liabilities	$	1	2
Bank indebtedness		99	76
		100	78
Net assets available for benefits	$	9,871	9,420

See accompanying notes to financial statements.

Approved By:

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

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

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Investments:		
Investment income and net realized gain on investments	$ 40	$ 298
Change in fair value:		
Change in net unrealized gains on investments	597	18
	637	315
Contributions:		
Employee contributions	372	311
Employer contributions	372	311
	744	622
Increase in net assets before expenses and benefits	1,381	938
Expenses:		
Investment management fees	34	57
Administration	31	18
	65	75
Benefit payments:		
Retirement benefits	147	252
Refunds and transfers:		
Termination benefits	636	705
Death benefits	82	-
	718	705
Total expenses, payments and transfers	930	1,032
Increase (decrease) in net assets	451	(94)
Net assets available for benefits, beginning of year	9,420	9,514
Net assets available for benefits, end of year	$ 9,871	$ 9,420

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 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.

(b) Valuation of investment assets:

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. 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.

2. Significant accounting policies (continued):

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 4 (g) for this disclosure.

(c) Trade date accounting:

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

(d) Interest and dividends on investments 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.

(e) 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.

3. New accounting standards (continued):

(f) 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.

(g) Benefits:

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

(h) 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 effect primarily the value of investments. Actual results could differ from those presented.

3. Future accounting changes:

IFRS 9, *Financial Instruments* (IFRS 9)

In July 2014, the IASB issued IFRS 9, which introduces new requirements for the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 also introduces additional changes relating to financial liabilities and amends the impairment model by introducing a new ‘expected credit loss’ model for calculating impairment.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Plan does not intend to early adopt IFRS 9 and the extent of the impact of adoption of the standard has not yet been determined.

4. 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 5-Year GIC Fund, the Short-term Bond Fund, Diversified Fund and International Equity Fund. Phillips, Hager and North Investment Management is the investment manager of the Bond Fund and Jarislowsky Fraser Global Investment Management is the investment manager for the Canadian Equity Fund. Plan participants are able to direct their investments to the fund(s) of their choice whereas the contributions made by the City of Saskatoon are invested in the Diversified Fund.

(in thousands of dollars)

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

	2017	2016
5-Year GIC Fund	$ 110	$ 102
Short Term Bond Fund	42	38
Bond Fund	49	44
Core Plus Long Term Bond	2	-
Diversified Fund	9,517	9,091
Canadian Dividend Fund	7	-
Canadian Equity Growth Fund	4	-
Canadian Equity Fund	139	151
Fidelity True North R	6	-
International Equity Fund	30	18
U.S. Equity Fund	40	32
	$ 9,946	$ 9,476

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

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 exchange 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, 2017, the Plan holds mutual funds of $9,836 (2016 - $9,374). 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)

g) Fair value hierarchy:

	Level 1	Level 2	Level 3	Balance at December 31, 2017
Guaranteed Income Investments	$ -	$ 110	$ -	$ 110
Short-term Bond Fund	42	-	-	42
Bond Fund	49	-	-	49
Core Plus Long Term Bond Fund	2	-	-	2
Diversified Fund	9,517	-	-	9,517
Canadian Dividend Fund	7	-	-	7
Canadian Equity Growth Fund	4	-	-	4
Canadian Equity Fund	139	-	-	139
Fidelity True North R	6	-	-	6
International Equity Fund	30	-	-	30
U.S. Equity Fund	40	-	-	40
	$ 9,836	$ 110	$ -	$ 9,946

	Level 1	Level 2	Level 3	Balance at December 31, 2016
Guaranteed Income Investments	$ -	$ 102	$ -	$ 102
Short-term Bond Fund	38	-	-	38
Bond Fund	44	-	-	44
Diversified Fund	9,091	-	-	9,091
Canadian Equity Fund	151	-	-	151
International Equity Fund	18	-	-	18
U.S. Equity Fund	32	-	-	32
	$ 9,374	$ 102	$ -	$ 9,476

There were no significant transfers of investments between Level 1 and Level 2 during 2017 and 2016.

5. Funding policy:

In accordance with the Plan Agreement, employees are required to contribute 4.8% of the portion of salary which is less than the earning ceiling under the Canada Pension Plan (CPP) and 6.4% of the excess salary. The City of Saskatoon is required to match employee contributions.