

City of Saskatoon
General Superannuation Plans
Financial Statements
December 31, 2018

DRAFT

Financial Statements of

THE SASKATOON FIRE FIGHTERS' PENSION PLAN

Year ended December 31, 2018

THE SASKATOON FIRE FIGHTERS' PENSION PLAN

Statement of Financial Position
(in thousands of dollars)

As at December 31, 2018

	2018	2017
Assets		
Cash	\$ 1,527	\$ 470
Investments (note 4)	17,204	12,262
Contributions receivable:		
Employer (note 5)	269	262
Due from Fire and Protective Services Department Superannuation Plan (note 5)	21	-
GST recoverable	12	10
	19,033	13,004
Liabilities		
Accounts payable and accrued liabilities	\$ 60	\$ 45
	60	45
Net assets available for benefits	18,973	12,959
Pension obligations (note 6)	16,780	10,672
Surplus	\$ 2,193	\$ 2,287

See accompanying notes to financial statements.

Approved By:

THE SASKATOON FIRE FIGHTERS' PENSION PLAN

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

Year ended December 31, 2018

	2018	2017
Investments:		
Interest income	\$ 4	\$ 93
Dividends and distributions	654	267
	658	360
Change in fair value:		
Net realized loss on sale of investments	(4)	(34)
Change in net unrealized (losses) gains investments	(915)	549
	(919)	515
Contributions (note 7):		
Employee	3,270	3,223
Employer (note 5)	3,270	3,223
	6,540	6,446
Increase in net assets before expenses and benefits	6,279	7,321
Expenses:		
Investment management fees	106	60
Administration (note 8)	137	196
	243	256
Benefit payments:		
Retirement benefits	17	1
Refunds and transfers:		
Termination and death benefits	5	175
Total expenses, payments and transfers	265	432
Increase in net assets	6,014	6,889
Net assets available for benefits, beginning of year	12,959	6,070
Net assets available for benefits, end of year	\$ 18,973	\$ 12,959

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, 2018

	2018		2017
Pension obligations, beginning of year	\$ 10,672	\$	5,144
Increases in pension obligations:			
Pension benefits accrued	5,305		5,228
Interest on accrued pension benefits	825		476
Decreases in pension obligations:			
Benefits paid	(22)		(176)
Pension obligations, end of year	\$ 16,780	\$	10,672

See accompanying notes to financial statements.

THE SASKATOON FIRE FIGHTERS' PENSION PLAN

Notes to Financial Statements
(in thousands of dollars)

Year ended December 31, 2018

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.

THE SASKATOON FIRE FIGHTERS' PENSION PLAN

Notes to Financial Statements (continued)
(in thousands of dollars)

Year ended December 31, 2018

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 portion of the Sponsor contributions based upon service and earnings to date of termination. Vesting occurs once a member completes two years of service.

h) Income taxes:

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

2. Significant accounting policies:

(a) Basis of presentation:

These financial statements are prepared in accordance with Canadian accounting standards for pension plans. For matters not addressed in accounting standards for pension plans, International Financial Reporting Standards ("IFRS") have been adopted. These financial statements are prepared on a going concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity independent of the Sponsor and Plan members. These financial statements do not portray the funding requirement of the Plan or the benefit security of individual plan members.

The financial statements were authorized for issue by the Investment Committee on [DATE].

THE SASKATOON FIRE FIGHTERS' PENSION PLAN

Notes to Financial Statements (continued)
(in thousands of dollars)

Year ended December 31, 2018

2. Significant accounting policies (continued):

(b) Financial assets:

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

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

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

(c) Fair value measurement:

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

Fair value hierarchy

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

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

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

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

THE SASKATOON FIRE FIGHTERS' PENSION PLAN

Notes to Financial Statements (continued)
(in thousands of dollars)

Year ended December 31, 2018

2. Significant accounting policies (continued):

If different levels of inputs are used to measure the fair value of an investment, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. The Plan determines whether transfers between levels have occurred at the end of each reporting period. See note 4 (c) (vii) for this disclosure.

(d) Trade date accounting:

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

(e) 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.

(f) Transaction costs:

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

(g) Foreign exchange:

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

(h) Contributions:

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

(i) Benefits:

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

THE SASKATOON FIRE FIGHTERS' PENSION PLAN

Notes to Financial Statements (continued)
(in thousands of dollars)

Year ended December 31, 2018

2. Significant accounting policies (continued):

(j) Pension obligations:

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

(k) Use of estimates:

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

3. Accounting changes:

IFRS 9, *Financial Instruments* (IFRS 9)

This standard replaces the multiple classification and measurement models in IAS 39, *Financial Instruments: Classification and Measurement*, with a single model. Although the presumable measurement basis for financial assets (amortized cost, fair value through other comprehensive income and fair value through profit and loss) are similar to IAS 39 the classification criteria are significantly different. IFRS 9 also revises impairment models replacing an "incurred loss" model with an "expected credit loss" model. The mandatory effective date of IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company adopted these standards in the current year and it did not have a material impact on the financial statements.

THE SASKATOON FIRE FIGHTERS' PENSION PLAN

Notes to Financial Statements (continued)
(in thousands of dollars)

Year ended December 31, 2018

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) Real estate fund:

	2018	2017
Greystone Real Estate Fund Inc.	\$ 2,871	\$ 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.

(b) Equities and pooled funds:

	2018	2017
Canadian pooled equity funds	\$ 6,571	\$ 4,603
U.S. pooled equity funds	2,961	2,058
Foreign pooled equity funds	4,801	2,959
Total equities and pooled funds	\$ 14,333	\$ 9,620

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.

THE SASKATOON FIRE FIGHTERS' PENSION PLAN

Notes to Financial Statements (continued)
(in thousands of dollars)

Year ended December 31, 2018

4. Investments (continued):

(c) Financial risk management:

(i) Risk policy:

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

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.

THE SASKATOON FIRE FIGHTERS' PENSION PLAN

Notes to Financial Statements (continued)
(in thousands of dollars)

Year ended December 31, 2018

4. Investments (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 Procedures. Within the bond portfolio, credit exposure is mitigated by establishing a minimum credit quality for corporate bonds of investment grade (which include bonds rated AAA, AA, A and BBB or equivalent as rated by an independent rating agency). Bonds rated BBB may not be purchased if the purchase would raise the holdings in bonds rated BBB or lower to more than 20% of the market value of the bond portfolio. In addition to ensuring diversification by major asset class, exposure to individual corporate entities is also restricted within the Plan's Statement of Investment Policies and Procedures to 10% of the value of the individual equity and bond portfolios as well as the total portfolio level. At December 31, 2018, the Plan's credit risk exposure was nil (2017 – nil).

(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, 2018, the Plan's foreign currency exposure was \$7,696 (2017 - \$4,992).

	2018	2017
U.S. dollar	\$ 5,022	\$ 3,226
Euro	468	318
British pound	398	240
Japanese yen	452	317
Swiss franc	392	233
Hong Kong dollar	289	151
Other	675	507
	<u>\$ 7,696</u>	<u>\$ 4,992</u>

(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.

THE SASKATOON FIRE FIGHTERS' PENSION PLAN

Notes to Financial Statements (continued)
(in thousands of dollars)

Year ended December 31, 2018

4. Investments (continued):

At December 31, 2018, the Plan's exposure to interest rate risk was \$1,527 (2017 - \$470).

	2018	2017
Cash	\$ 1,527	\$ 470
	\$ 1,527	\$ 470

The Plan holds approximately 8.2% (2017 – 3.7%) of its investments in cash and fixed income securities and 91.8% (2017 – 96.3%) in equities and alternatives and equity pooled funds at December 31, 2018.

(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 \$14,333 (2017 - \$9,620) at December 31, 2018.

(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, 2018, the Plan has other liabilities of \$60 (2017 - \$45). 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, 2018, the Plan held cash and money market instruments totaling \$1,527 (2017 - \$ 470) 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.

THE SASKATOON FIRE FIGHTERS' PENSION PLAN

Notes to Financial Statements (continued)
(in thousands of dollars)

Year ended December 31, 2018

4. Investments (continued):

(vii) Fair value hierarchy:

	Level 1	Level 2	Level 3	December 31, 2018
Real estate fund	\$ -	\$ -	\$ 2,871	\$ 2,871
Equities and pooled funds	-	14,333	-	14,333
	\$ -	\$ 14,333	\$ 2,871	\$ 17,204

	Level 1	Level 2	Level 3	December 31, 2017
Real estate fund	\$ -	\$ -	\$ 2,642	\$ 2,642
Equities and pooled funds	-	9,620	-	9,620
	\$ -	\$ 9,620	\$ 2,642	\$ 12,262

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:

	2018 Real estate fund
Balance, beginning of year	\$ 2,642
Acquisitions	-
Gain included in the Statement of Changes in Net Assets Available for Benefits	229
Balance, end of year	\$ 2,871

THE SASKATOON FIRE FIGHTERS' PENSION PLAN

Notes to Financial Statements (continued)
(in thousands of dollars)

Year ended December 31, 2018

5. Related Party Transactions:

During the year, the plan received contributions from the City of Saskatoon, employer of plan members, in the amount of \$3,270 (2017 – \$3,223) and paid administrative fees of \$26 (2017 - \$46). Contributions receivable at December 31, 2018 includes \$269 (2017 - \$262) owing from the City of Saskatoon.

The amount of \$21 (2017 - \$nil) due from City of Saskatoon Fire and Protective Services Department Superannuation Plan, an entity under common control, is non-interest bearing and has no fixed terms of repayment. Subsequent to year end, this amount was received in full.

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

6. 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, 2018 is based on an extrapolation of the January 1, 2016 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:

	2018	2017
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 \$2,193 (2017 - \$2,287) as at December 31, 2018.

7. 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.

THE SASKATOON FIRE FIGHTERS' PENSION PLAN

Notes to Financial Statements (continued)
(in thousands of dollars)

Year ended December 31, 2018

8. Administration expenses:

	2018	2017
Administrative expenses	\$ 68	\$ 108
Actuarial fees	49	70
Custodian fee	20	19
Bank interest (income)	-	(1)
	\$ 137	\$ 196

DRAFT

Financial Statements of

**CITY OF SASKATOON
FIRE AND PROTECTIVE SERVICES DEPARTMENT
SUPERANNUATION PLAN**

Year ended December 31, 2018

CITY OF SASKATOON FIRE AND PROTECTIVE SERVICES DEPARTMENT SUPERANNUATION PLAN

Statement of Financial Position
(in thousands of dollars)

As at December 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Cash	\$ 689	\$ 631
Investments (note 4)	162,863	171,878
Accrued investment income	49	44
GST recoverable	70	59
	163,671	172,612
Liabilities		
Accounts payable and accrued liabilities	\$ 379	220
Bank indebtedness	1,251	1,421
Due to the Saskatoon Fire Fighters Pension Plan	21	-
	1,651	1,641
Net assets available for benefits	162,020	170,971
Pension obligations (note 6)	181,378	179,740
Deficit	\$ (19,358)	\$ (8,769)

See accompanying notes to financial statements.

Approved By:

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, 2018, with comparative information for 2017

	2018	2017
Investments:		
Interest income	\$ 1,473	\$ 2,983
Dividends and distributions	5,968	7,210
Other income	2	4
	7,443	10,197
Change in fair value:		
Net realized gain on sale of investments	522	2,801
Change in net unrealized (losses) gains on investments	(8,438)	733
	(7,916)	3,534
Contributions (note 7):		
Employer (note 5)	1,320	1,180
Employee	-	5
	1,320	1,185
Increase in net assets before expenses and benefits	847	14,916
Expenses:		
Investment management fees	845	796
Administration (note 8)	158	190
	1,003	986
Benefit payments:		
Retirement benefits	8,764	8,802
Refunds and transfers:		
Transfer to other plans	31	445
Total expenses, payments and transfers	9,798	10,233
(Decrease) increase in net assets	(8,951)	4,683
Net assets available for benefits, beginning of year	170,971	166,288
Net assets available for benefits, end of year	\$ 162,020	\$ 170,971

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, 2018, with comparative information for 2017

	2018	2017
Pension obligations, beginning of year	\$ 179,740	\$ 178,628
Increases in pension obligations:		
Pension benefits accrued	-	6
Interest on accrued pension benefits	10,433	10,353
Decreases in pension obligations:		
Benefits paid	(8,795)	(9,247)
Pension obligations, end of year	\$ 181,378	\$ 179,740

See accompanying notes to financial statements.

CITY OF SASKATOON FIRE AND PROTECTIVE SERVICES DEPARTMENT SUPERANNUATION PLAN

Notes to Financial Statements

Year ended December 31, 2018

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.

CITY OF SASKATOON FIRE AND PROTECTIVE SERVICES DEPARTMENT SUPERANNUATION PLAN

Notes to Financial Statements (continued)

Year ended December 31, 2018

2. Significant accounting policies (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 portion of the City of Saskatoon contributions based upon service and earnings to date of termination. Vesting occurs once a member completes two years of service.

h) Income taxes:

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

2. Significant accounting policies:

(a) Basis of presentation:

These financial statements are prepared in accordance with Canadian accounting standards for pension plans. For matters addressed in accounting standards for pension plans, International Financial Reporting Standards ("IFRS") have been adopted. These financial statements are prepared on a going concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity independent of the Sponsor and Plan members. These financial statements do not portray the funding requirement of the Plan or the benefit security of individual plan members.

The financial statements were authorized for issue by the Investment Committee on [DATE].

(b) Financial assets:

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

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

CITY OF SASKATOON FIRE AND PROTECTIVE SERVICES DEPARTMENT SUPERANNUATION PLAN

Notes to Financial Statements (continued)

Year ended December 31, 2018

2. Significant accounting policies (continued):

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

(c) Fair value measurement:

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

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.

(d) Trade date accounting:

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

CITY OF SASKATOON FIRE AND PROTECTIVE SERVICES DEPARTMENT SUPERANNUATION PLAN

Notes to Financial Statements (continued)

Year ended December 31, 2018

2. Significant accounting policies (continued):

(e) 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.

(f) Transaction costs:

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

(g) Foreign exchange:

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

(h) Contributions:

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

(i) Benefits:

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

CITY OF SASKATOON FIRE AND PROTECTIVE SERVICES DEPARTMENT SUPERANNUATION PLAN

Notes to Financial Statements (continued)

Year ended December 31, 2018

2. Significant accounting policies (continued):

(j) Pension obligations:

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

(k) Use of estimates:

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

3. Accounting changes:

IFRS 9, *Financial Instruments* (IFRS 9)

This standard replaces the multiple classification and measurement models in IAS 39, *Financial Instruments: Classification and Measurement*, with a single model. Although the presumable measurement basis for financial assets (amortized cost, fair value through other comprehensive income and fair value through profit and loss) are similar to IAS 39 the classification criteria are significantly different. IFRS 9 also revises impairment models replacing an "incurred loss" model with an "expected credit loss" model. The mandatory effective date of IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company adopted these standards in the current year and it did not have a material impact on the financial statements.

CITY OF SASKATOON FIRE AND PROTECTIVE SERVICES DEPARTMENT SUPERANNUATION PLAN

Notes to Financial Statements (continued)

Year ended December 31, 2018

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:

	2018	2017
Canadian short-term investments	\$ 355	\$ 9,914

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

(b) Real estate fund:

	2018	2017
Greystone Real Estate Fund Inc.	\$ 16,451	\$ 7,512

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.

CITY OF SASKATOON FIRE AND PROTECTIVE SERVICES DEPARTMENT SUPERANNUATION PLAN

Notes to Financial Statements (continued)

Year ended December 31, 2018

4. Investments (continued):

(c) Bonds and debentures:

	2018	2017
Pooled fixed income funds	\$ 45,447	\$ 55,874
Total bonds and debentures	\$ 45,447	\$ 55,874

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

(d) Equities and pooled funds:

	2018	2017
Canadian common stocks	\$ 19,583	\$ 21,475
Canadian pooled equity funds	20,182	23,667
U.S. pooled equity funds	10,343	11,890
Foreign pooled equity funds	40,847	41,546
Total equities and pooled funds	\$ 90,955	\$ 106,090

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

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

(e) Mortgages:

	2018	2017
Greystone Mortgage Fund	\$ 9,655	\$ -

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.

CITY OF SASKATOON FIRE AND PROTECTIVE SERVICES DEPARTMENT SUPERANNUATION PLAN

Notes to Financial Statements (continued)

Year ended December 31, 2018

(f) Financial risk management:

(i) Risk policy:

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

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

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

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

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

CITY OF SASKATOON FIRE AND PROTECTIVE SERVICES DEPARTMENT SUPERANNUATION PLAN

Notes to Financial Statements (continued)

Year ended December 31, 2018

4. Investments (continued):

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):

	2018	2017
Pooled fixed income funds	\$ 45,447	\$ 55,874

(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, 2018, the Plan's foreign currency exposure was \$50,718 (2017 - \$53,118).

	2018	2017
U.S. dollar	\$ 26,221	\$ 26,729
Euro	4,328	4,731
Japanese yen	3,954	4,545
British pound	3,959	3,951
Swiss franc	3,374	3,362
Hong Kong dollar	2,505	2,180
Other	6,377	7,620
	\$ 50,718	\$ 53,118

CITY OF SASKATOON FIRE AND PROTECTIVE SERVICES DEPARTMENT SUPERANNUATION PLAN

Notes to Financial Statements (continued)

Year ended December 31, 2018

4. Investments (continued):

(iv) Interest rate risk:

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

At December 31, 2018, the Plan's exposure to interest rate risk was \$46,491 (2017 - \$66,419).

	2018	2017
Cash and short term investments	\$ 1,044	\$ 10,545
Bonds and debentures	45,447	55,874
	\$ 46,491	\$ 66,419

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

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

	2018	2017
Leith Wheeler bonds	7.5%	7.6%
Weighted average	7.5%	7.6%

The Plan holds approximately 28.4% (2017 – 38.5%) of its investments in fixed income securities and 71.6% (2017 – 61.5%) in equities and equity pooled funds at December 31, 2018.

(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 \$117,061 at December 31, 2018 (2017 - \$106,090).

CITY OF SASKATOON FIRE AND PROTECTIVE SERVICES DEPARTMENT SUPERANNUATION PLAN

Notes to Financial Statements (continued)

Year ended December 31, 2018

4. Investments (continued):

(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, 2018, the Plan has other liabilities of \$1,651 (2017 - \$1,641). 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, 2018, the Plan held cash and money market instruments totaling \$1,044 (2017 - \$10,545) which are readily available to settle such obligations.

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

(vii) Fair value hierarchy:

	Level 1	Level 2	Level 3	December 31, 2018
Money Market investments	\$ -	\$ 355	\$ -	355
Real estate fund	-	-	16,451	16,451
Bonds and debentures	-	45,447	-	45,447
Equities and pooled funds	19,583	71,372	-	90,955
Mortgages	-	-	9,655	9,655
	\$ 19,583	\$ 117,174	\$ 26,106	\$ 162,863

	Level 1	Level 2	Level 3	December 31, 2017
Money Market investments	\$ -	\$ 9,914	\$ -	9,914
Real estate fund	-	-	7,512	7,512
Bonds and debentures	-	55,874	-	55,874
Equities and pooled funds	21,475	77,103	-	98,578
	\$ 21,475	\$ 142,891	\$ 7,512	\$ 171,878

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

CITY OF SASKATOON FIRE AND PROTECTIVE SERVICES DEPARTMENT SUPERANNUATION PLAN

Notes to Financial Statements (continued)

Year ended December 31, 2018

The following table reconciles the Plan's Level 3 fair value measurements from December 31, 2017 to December 31, 2018:

	Mortgages	Real estate fund	2018 Total
Balance, beginning of year	\$ -	\$ 7,512	\$ 7,512
Net acquisitions	9,275	7,857	17,132
Net dispositions	-	-	-
Gain included in the Statement of Changes in Net Assets Available for Benefits	380	1,082	1,462
Balance, end of year	\$ 9,655	\$ 16,451	\$ 26,106

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

5. Related party transactions:

The amount due to The Saskatoon Fire Fighters Pension Plan, an entity under common control, is non-interest bearing and has no fixed terms of repayment. Subsequent to year end, this amount has been paid in full.

During the year, the plan received unfunded liability contributions from the City of Saskatoon, employer of plan members, in the amount of \$1,320 (2017 – \$1,180) and paid administrative fees of \$21 (2017 - \$36).

CITY OF SASKATOON FIRE AND PROTECTIVE SERVICES DEPARTMENT SUPERANNUATION PLAN

Notes to Financial Statements (continued)

Year ended December 31, 2018

6. 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, 2018 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:

	2018	2017
Expected return on plan assets	5.95%	6.30%
Inflation rate	2.25%	2.25%
Rate of compensation increase (including inflation component)	3.25%	3.25%
Discount rate per annum for all members	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 2017 and 2018 had \$nil (2017 - \$nil) effect on the increase in pension obligation.

Experience gains and losses represent the change in pension obligations due to the difference between actual economic and demographic experience and expected experience. During 2018, experience gains and losses were \$nil (2017 - \$nil).

The deficiency of net assets available for benefits relative to pension obligations results in the Plan being in a deficit position of \$19,358 as at December 31, 2018 (2017 - \$8,769).

CITY OF SASKATOON FIRE AND PROTECTIVE SERVICES

DEPARTMENT SUPERANNUATION PLAN

Notes to Financial Statements (continued)

Year ended December 31, 2017

7. 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.

8. Administration expenses:

	2018	2017
Administrative expenses	\$ 59	\$ 80
Actuarial fee	46	62
Custodian fee	30	29
Bank interest	23	19
	\$ 158	\$ 190

**CITY OF SASKATOON
GENERAL SUPERANNUATION PLAN
FINANCIAL STATEMENTS
*December 31, 2018***

CITY OF SASKATOON
GENERAL SUPERANNUATION PLAN
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31

(in thousands of dollars)	2018	2017
ASSETS		
Accounts Receivable		
Sponsor's contributions (note 9)	1,567	1,513
Investment income	1,264	1,332
Other	20	42
	<u>2,851</u>	<u>2,887</u>
 Investments (note 3)	 <u>841,621</u>	 <u>860,104</u>
	<u>844,472</u>	<u>862,991</u>
LIABILITIES		
Operating Bank Account	2,286	1,628
Accounts Payable (note 9)	450	979
	<u>2,736</u>	<u>2,607</u>
 NET ASSETS AVAILABLE FOR BENEFITS	 841,736	 860,384
 PENSION OBLIGATIONS (note 6)	 <u>818,445</u>	 <u>815,958</u>
 PENSION SURPLUS	 <u>23,291</u>	 <u>44,426</u>

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)	2018	2017
INCREASE IN ASSETS		
Investment Income (note 3)	25,763	25,646
Gain (loss) in fair value of investments (note 3)	(29,246)	52,808
	<u>(3,483)</u>	<u>78,454</u>
Employee Contributions - current and past service	16,912	16,826
Employer Contributions (note 9)	16,481	16,434
Transfers From Other Plans	897	997
	<u>34,290</u>	<u>34,257</u>
	<u>30,807</u>	<u>112,710</u>
DECREASE IN ASSETS		
Retirement Benefits Paid	40,464	37,730
Death Benefits Paid	159	2,399
Refund of Contributions	1,303	3,063
Transfers To Other Plans	3,549	2,803
Administration Expenses (notes 8 and 9)	3,980	3,859
	<u>49,455</u>	<u>49,854</u>
CHANGE IN ASSETS AVAILABLE FOR BENEFITS	(18,648)	62,857
NET ASSETS AVAILABLE FOR BENEFITS - BEGINNING OF YEAR	860,384	797,527
NET ASSETS AVAILABLE FOR BENEFITS - END OF YEAR	<u>841,736</u>	<u>860,384</u>

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

(in thousands of dollars)	2018	2017
INCREASE IN PENSION OBLIGATIONS		
Interest accrued on benefits	50,415	48,122
Accrued pension benefits	25,945	24,857
Change in actuarial assumptions	-	17,495
	<u>76,360</u>	<u>90,474</u>
DECREASE IN PENSION OBLIGATIONS		
Benefit payments and transfers	44,578	44,998
Change in actuarial assumptions	25,903	-
Experience gains	3,392	3,422
	<u>73,873</u>	<u>48,420</u>
NET INCREASE IN PENSION OBLIGATIONS	2,487	42,054
PENSION OBLIGATIONS - BEGINNING OF YEAR	<u>815,958</u>	<u>773,904</u>
PENSION OBLIGATIONS - END OF YEAR	<u>818,445</u>	<u>815,958</u>

**CITY OF SASKATOON
GENERAL SUPERANNUATION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(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.
- (h) **Income Taxes**
The Plan is a Registered Pension Trust as defined in the Income Tax Act and is not subject to income taxes.

**CITY OF SASKATOON
GENERAL SUPERANNUATION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(in thousands of dollars)**

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 12, 2019.

(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.

**CITY OF SASKATOON
GENERAL SUPERANNUATION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(in thousands of dollars)**

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.

**CITY OF SASKATOON
GENERAL SUPERANNUATION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(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.

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

3. INVESTMENTS

Management of Capital

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

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

**CITY OF SASKATOON
GENERAL SUPERANNUATION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(in thousands of dollars)**

3. INVESTMENTS(continued)

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

Assets (as a % of market value)	Minimum	Benchmark	Maximum
	%	%	%
Equities			
Canadian equities	15	20	27
U.S. equities	7	9.5	12
Non-North American equities	6	8.0	11
Global equities	13	<u>17.5</u>	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	<u>4.5</u>	7
		30	
Short-term investments	0	<u>0</u>	10
Total Fund		100	

CITY OF SASKATOON
GENERAL SUPERANNUATION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(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, 2018					
	Fair Value	Cost	Current-year change in fair value	Investment Income	Total return
Cash	\$ 1,567	\$ 1,567	\$ -	\$ -	\$ -
Short-term investments	1,834	1,834	8	34	42
	3,401	3,401	8	34	42
Fixed income investments:					
Bond Pooled Funds	131,027	134,339	(1,871)	3,827	1,956
Mortgage Pooled Funds	53,503	53,447	240	1,937	2,177
Private Infrastructure Debt Pooled Funds	34,188	35,262	496	1,390	1,886
Private Debt Pooled Funds	39,769	40,071	(248)	1,489	1,241
	258,487	263,120	(1,383)	8,643	7,260
Equities:					
Canadian equities	154,392	122,395	(21,545)	4,961	(16,584)
U.S equities	85,321	99,166	1,856	1,888	3,744
Non-North American equities	65,070	67,996	(6,820)	1,986	(4,834)
Global equities	141,920	188,319	(13,321)	3,772	(9,549)
	446,703	477,876	(39,830)	12,607	(27,223)
Real Estate Pooled Funds	90,444	83,639	3,893	3,710	7,603
Private Equity Pooled Funds	42,587	20,489	8,066	769	8,835
	\$ 841,621	\$ 848,524	\$ (29,246)	\$ 25,763	\$ (3,483)

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

**CITY OF SASKATOON
GENERAL SUPERANNUATION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(in thousands of dollars)**

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.

**CITY OF SASKATOON
GENERAL SUPERANNUATION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(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:		2018		2017	
		\$	%	\$	%
Federal securities & guarantees		35,129	13.6%	55,436	22.0%
Provincial securities & guarantees		40,618	15.7%	38,128	15.2%
Corporate securities		167,148	64.7%	149,046	59.2%
Other		15,592	6.0%	9,059	3.6%
		<u>258,487</u>	<u>100.0%</u>	<u>251,670</u>	<u>100.0%</u>
Credit Rating					
AAA		35,124	13.6%	57,995	23.0%
AA		50,149	19.4%	39,958	15.9%
A		48,947	18.9%	49,451	19.6%
BBB		48,086	18.6%	39,632	15.7%
Non-investment grade		2,237	0.9%	15,648	6.2%
Not rated		73,944	28.6%	48,986	19.6%
		<u>258,487</u>	<u>100.0%</u>	<u>251,670</u>	<u>100.0%</u>

(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%** (2017 – 29.3%) of its assets in investments that bear fixed rates of interest. These investments are held in pooled funds. The fixed income portfolio sensitivity to interest rate changes was estimated using the weighted average duration of the pooled funds' portfolios. The table below illustrates the potential impact on the Plan's net assets if the nominal interest rates changed by 1% (100 basis-points):

	2018	2017
Impact on Value	6.49%	6.47%
Fixed income portfolio Value	\$ 258,487	\$ 251,670
1% increase in rate	(16,763)	(16,285)
1% decrease in rate	16,763	16,285

**CITY OF SASKATOON
GENERAL SUPERANNUATION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(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:

Foreign Currency	2018	2017
	Exposure in CAD	
U.S. Dollars	\$ 169,645	\$ 182,500
Euros	56,387	52,658
Pounds Sterling	28,946	33,504
Japanese Yen	22,565	28,007
Swiss Franc	16,823	11,474
Other	32,575	32,661
	<u>\$ 326,941</u>	<u>\$ 340,804</u>

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:

Foreign Currency	2018	2017
	Exposure in CAD	
U.S. Dollars	\$ +/- 1,696	\$ +/- 1,825
Euros	564	527
Pounds Sterling	289	335
Japanese Yen	226	280
Swiss Franc	168	115
	<u>\$ +/- 2,943</u>	<u>\$ +/- 3,082</u>

(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.

**CITY OF SASKATOON
GENERAL SUPERANNUATION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(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 \$446,703 at December 31, 2018 (2017 - \$478,821). 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			
	2018		2017	
Public Equity Market	Increase	Decrease	Increase	Decrease
Canadian	\$ 1,544	\$ (1,544)	\$ 1,714	\$ (1,714)
U.S.	853	(853)	850	(850)
Non-North American	651	(651)	702	(702)
Global	1,419	(1,419)	1,522	(1,522)
	<u>\$ 4,467</u>	<u>\$ (4,467)</u>	<u>\$ 4,788</u>	<u>\$ (4,788)</u>

(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, 2018, the Plan has total financial liabilities of \$2,736 (2017 - \$2,607) consisting of accounts payable and bank indebtedness that will generally be settled within 90 days of the year end.

As at December 31, 2018, the Plan held cash and short-term investments totalling \$3,401 (2017 - \$4,201) 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.

**CITY OF SASKATOON
GENERAL SUPERANNUATION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(in thousands of dollars)**

4. INVESTMENT RISK (continued)
(vii) Fair value hierarchy

	Level 1	Level 2	Level 3	Balance as at December 31, 2018
Equities	\$ 149,284	\$ 297,419	\$ 133,030	\$ 579,733
Fixed Income Securities	-	184,530	73,957	258,487
Cash and Short-term Instruments	2,652	749	-	3,401
	\$ 151,936	\$ 489,698	\$ 206,987	\$ 841,621

	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	\$ 165,913	\$ 312,907	\$ 125,413	\$ 604,233
	\$ 169,351	\$ 499,922	\$ 190,831	\$ 860,104

There were no significant transfers of investments between Level 1 and Level 2 during 2018 or 2017.

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

	2018	2017
Fair Value, Beginning of Year	\$ 190,831	\$ 172,086
Transfers to level 3 for purchases	(2,384)	4,801
Investment income, net of fees	6,333	7,684
Current-year change in fair value	12,207	6,260
Fair Value, End of Year	\$ 206,987	\$ 190,831

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, 2018, these potential unfunded commitments totalled \$19,634 (2017: \$30,564). The Plan has sufficient liquidity to meet these commitments as they come due.

**CITY OF SASKATOON
GENERAL SUPERANNUATION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(in thousands of dollars)**

6. PENSION OBLIGATIONS

An actuarial valuation was prepared as of December 31, 2018 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, 2017. The next actuarial valuation required to be filed with FCAA will be prepared as of December 31, 2020.

The Statement of Changes in Pension Obligations displays the actuarial present value of benefits as at December 31, 2018. 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:

	2018	2017
Asset rate of return	6.50%	6.25%
Discount rate	6.50%	6.25%
Salary escalation rate	3.00% + merit	3.00% + merit
Inflation rate	2.25%	2.25%
Mortality	CPM Private Table	CPM Private Table

Changes in actuarial assumptions between 2018 and 2017 resulted in a decrease in the pension obligations of \$25,903 (2017 – increase of \$17,495). The primary assumption change in 2018 was a 0.25% increase in the discount rate.

Experience gains and losses represent the change in pension obligations due to the difference between actual economic and demographic experience and expected experience. During 2018, experience gains were \$3,392 (2017 – gain of \$3,422).

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:

	2018	2017
Pension Obligations	\$ 818,445	\$ 815,958
0.50% increase in rate	(48,011)	(49,849)
0.50% decrease in rate	53,455	55,794

**CITY OF SASKATOON
GENERAL SUPERANNUATION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(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.

	2018	2017
Surplus (deficit) for funding	\$ (33,865)	\$ (37,674)
Actuarial smoothing adjustment	(30,763)	28,522
Provision for adverse deviations	87,919	53,578
Surplus for financial statements	23,291	44,426

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, 2017 and a copy of this valuation was filed in 2018. 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

**CITY OF SASKATOON
GENERAL SUPERANNUATION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(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 \$55,900 in 2018 and \$55,300 in 2017.

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.

	2018	2017
Investment management fees	\$ 3,427	\$ 3,270
Pension administration	229	263
Actuarial fees	93	91
Other administration	231	235
	<u>\$ 3,980</u>	<u>\$ 3,859</u>

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:

	2018	2017
Plan Sponsor's contributions	\$ 16,481	\$ 16,434
Administration expenses	229	263
Receivable from Plan Sponsor	1,567	1,513
Payable to Plan Sponsor	-	263

DRAFT Financial Statements of

THE SASKATOON POLICE PENSION PLAN

Year ended December 31, 2018

DRAFT

THE SASKATOON POLICE PENSION PLAN

Statement of Financial Position
(in thousands of dollars)

As at December 31, 2018

	2018	2017
Assets		
Cash	\$ 2,650	\$ 387
Investments (note 4)	28,285	20,702
Contributions receivable:		
Employer (note 5)	438	404
GST recoverable	15	11
	31,388	21,504
Liabilities		
Accounts payable and accrued liabilities	\$ 66	\$ 48
	66	48
Net assets available for benefits	31,322	21,456
Pension obligations (note 6)	28,819	18,273
Surplus	\$ 2,503	\$ 3,183

See accompanying notes to financial statements.

Approved by:

THE SASKATOON POLICE PENSION PLAN

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

Year ended December 31, 2018

	2018	2017
Investment income:		
Interest income	\$ 9	\$ 26
Dividends and distributions	1,671	813
	1,680	839
Change in fair value:		
Net realized loss on sale of investments	(156)	(192)
Change in net unrealized (losses) gain on investments	(1,964)	1,129
	(2,120)	937
Contributions (note 7):		
Employee	5,399	5,196
Employer (note 5)	5,401	5,196
	10,800	10,392
Increase in net assets before expenses and benefits	10,360	12,168
Expenses:		
Investment management fees	143	92
Administration (note 8)	172	218
	315	310
Benefit payments:		
Retirement benefits	33	9
Refunds and transfers:		
Termination benefits	146	54
Death benefits	-	45
Total expenses, payments and transfers	494	418
Increase in net assets	9,866	11,750
Net assets available for benefits, beginning of year	21,456	9,706
Net assets available for benefits, end of year	\$ 31,322	\$ 21,456

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, 2018

	2018	2017
Pension obligations, beginning of year	\$ 18,273	\$ 8,617
Increases in pension obligations:		
Pension benefits accrued	9,298	8,949
Interest on accrued pension benefits	1,427	815
Decreases in pension obligations:		
Benefits paid	(179)	(108)
Pension obligations, end of year	\$ 28,819	\$ 18,273

See accompanying notes to financial statements.

THE SASKATOON POLICE PENSION PLAN

Notes to Financial Statements
(in thousands of dollars)

Year ended December 31, 2018

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.

THE SASKATOON POLICE PENSION PLAN

Notes to Financial Statements (continued)
(in thousands of dollars)

Year ended December 31, 2018

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 portion of the Sponsor contributions based upon service and earnings to date of termination. Vesting occurs once a member completes two years of service.

f) Income taxes:

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

2. Significant accounting policies:

(a) Basis of presentation:

These financial statements are prepared in accordance with Canadian accounting standards for pension plans. For matters not addressed in accounting standards for pension plans, International Financial Reporting Standards ("IFRS") have been adopted. These financial statements are prepared on a going concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity independent of the Sponsor and Plan members. These financial statements do not portray the funding requirements of the Plan or the benefit security of individual plan members.

The financial statements were authorized for issue by the Investment Committee on [DATE].

THE SASKATOON POLICE PENSION PLAN

Notes to Financial Statements (continued)
(in thousands of dollars)

Year ended December 31, 2018

2. Significant accounting policies – continued:

(b) Financial assets:

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

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

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

(c) Fair value measurement:

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

Fair value hierarchy

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

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

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

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

THE SASKATOON POLICE PENSION PLAN

Notes to Financial Statements (continued)
(in thousands of dollars)

Year ended December 31, 2018

2. Significant accounting policies – continued:

If different levels of inputs are used to measure the fair value of an investment, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. The Plan determines whether transfers between levels have occurred at the end of each reporting period. See note 4 (f) (vii) for this disclosure.

(d) Trade date accounting:

Purchases and sales of financial instruments are recorded on their trade dates.²

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

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

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

(f) Transaction costs:

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

(g) Foreign exchange:

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

(h) Contributions:

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

(i) Benefits:

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

THE SASKATOON POLICE PENSION PLAN

Notes to Financial Statements (continued)
(in thousands of dollars)

Year ended December 31, 2018

2. Significant accounting policies – continued:

(j) Pension obligations:

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

(k) Use of estimates:

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

3. Accounting changes:

IFRS 9, *Financial Instruments* (IFRS 9)

This standard replaces the multiple classification and measurement models in IAS 39, *Financial Instruments: Classification and Measurement*, with a single model. Although the presumable measurement basis for financial assets (amortized cost, fair value through other comprehensive income and fair value through profit and loss) are similar to IAS 39 the classification criteria are significantly different. IFRS 9 also revises impairment models replacing an “incurred loss” model with an “expected credit loss” model. The mandatory effective date of IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company adopted these standards in the current year and it did not have a material impact on the financial statements.

THE SASKATOON POLICE PENSION PLAN

Notes to Financial Statements (continued)
(in thousands of dollars)

Year ended December 31, 2018

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) Real estate fund:

	2018	2017
Greystone Real Estate Fund Inc.	\$ 4,505	\$ 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.

b) Equities and pooled funds:

	2018	2017
Canadian pooled equity funds	\$ 16,378	\$ 11,605
Foreign pooled equity funds	7,402	5,885
Total equities and pooled funds\$	\$ 23,780	\$ 17,490

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

c) Financial risk management:

i) Risk policy:

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

THE SASKATOON POLICE PENSION PLAN

Notes to Financial Statements (continued)
(in thousands of dollars)

Year ended December 31, 2018

4. Investments – continued:

i) Risk policy (continued):

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.

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 obligations to the Plan. The Plan manages these risks through credit quality limits defined in the Plan's Statement of Investment Policies and Procedures. Within the bond portfolio, credit exposure is mitigated by establishing a minimum credit quality for corporate bonds of investment grade (which include bonds rated AAA, AA, A and BBB or equivalent as rated by an independent rating agency). Bonds rated BBB may not be purchased if the purchase would raise the holdings in bonds rated BBB or lower to more than 20% of the market value of the bond portfolio. In addition to ensuring diversification by major asset class, exposure to individual corporate entities is also restricted within the Plan's Statement of Investment Policies and Procedures to 10% of the value of the individual equity and bond portfolios as well as the total portfolio level. At December 31, 2018, the Plan's credit risk exposure was nil (2017 – nil).

THE SASKATOON POLICE PENSION PLAN

Notes to Financial Statements (continued)
(in thousands of dollars)

Year ended December 31, 2018

4. Investments – continued:

(iii) Foreign currency risk:

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

At December 31, 2018, the Plan's foreign currency exposure was \$17,475 (2017 - \$12,964).

	2018	2017
U.S. dollar	\$ 7,832	\$ 6,257
Euro	1,651	689
Japanese yen	826	981
British pound	791	391
Swiss franc	336	258
Hong Kong dollar	486	348
Other	5,553	4,040
	<u>\$ 17,475</u>	<u>\$ 12,964</u>

(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, 2018, the Plan's interest-bearing financial instruments totaled \$2,650 (2017 - \$387).

	2018	2017
Cash	\$ 2,650	\$ 387
	<u>\$ 2,650</u>	<u>\$ 387</u>

The Plan holds approximately 8.6% (2017 – 1.8%) of its investments in fixed income securities, and 91.4% (2017 – 98.2%) in equities at December 31, 2018.

THE SASKATOON POLICE PENSION PLAN

Notes to Financial Statements (continued)
(in thousands of dollars)

Year ended December 31, 2018

4. Investments – continued:

(v) Equity price risk:

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

The investment portfolio is directly exposed to equity price risk in respect of its equities which total \$23,781 (2017 - \$17,490) at December 31, 2018.

(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, 2018, the Plan has other liabilities of \$66 (2017 - \$48). 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, 2018, the Plan held cash and money market instruments totaling \$2,650 (2017 - \$387) which are readily available to settle such obligations.

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

(vii) Fair value hierarchy:

						Balance as at December 31, 2018
		Level 1		Level 2		Level 3
Real estate fund	\$	-	\$	-	\$	4,505
Equities and pooled funds		-		23,780		-
	\$	-	\$	23,780	\$	4,505
						\$ 28,285

THE SASKATOON POLICE PENSION PLAN

Notes to Financial Statements (continued)
(in thousands of dollars)

Year ended December 31, 2018

4. Investments – continued:

(vii) Fair value hierarchy (continued):

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

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:

	2018 Real Estate Fund
Balance, beginning of year	\$ 3,212
Acquisitions	1,000
Gain included in the Statement of Changes in Net Assets Available for Benefits	293
Balance, end of year	\$ 4,505

5. Related party transactions:

During the year, the plan received contributions from the City of Saskatoon, employer of plan members, in the amount of \$5,401 (2017 – \$5,196) and paid administrative fees of \$36 (2017 - \$72). Contributions receivable at December 31, 2018 includes \$438 (2017 - \$404) owing from the City of Saskatoon.

6. 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, 2018 is based on an extrapolation of the January 1, 2016 valuation.

THE SASKATOON POLICE PENSION PLAN

Notes to Financial Statements (continued)
(in thousands of dollars)

Year ended December 31, 2018

6. 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:

	2018	2017
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 \$2,503 (2017 - \$3,183) as at December 31, 2018.

7. 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, 2019.

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.

8. Administration expenses:

	2018	2017
Administrative expenses	\$ 80	\$ 121
Actuarial fees	75	78
Custodial fees	17	17
Bank interest	-	2
	\$ 172	\$ 218

DRAFT

Financial Statements of

**CITY OF SASKATOON
POLICE SUPERANNUATION PLAN**

Year ended December 31, 2018

CITY OF SASKATOON POLICE SUPERANNUATION PLAN

Statement of Financial Position
(in thousands of dollars)

As at December 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Cash	\$ 6	\$ 6
Investments (note 4)	319,263	335,768
GST recoverable	165	143
	\$ 319,434	\$ 335,917
Liabilities		
Accounts payable and accrued liabilities	\$ 366	\$ 405
Bank indebtedness	573	521
	\$ 939	\$ 926
Net assets available for benefits	318,495	334,991
Pension obligations (note 5)	325,975	323,790
(Deficit) surplus	\$ (7,480)	\$ 11,201

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, 2018, with comparative information for 2017

	2018	2017
Investment income:		
Interest income	\$ 3,764	\$ 3,101
Dividends and distributions	18,782	16,448
	22,546	19,549
Change in fair value:		
Net realized (losses) gains on sale of investments	(1,061)	19,429
Change in net unrealized (losses) on investments	(21,156)	(5,241)
	(22,217)	14,188
Contributions (note 6):		
Employee	-	10
Employer (note 8)	1,594	1,419
	1,594	1,429
Increase in net assets before expenses and benefits	1,923	35,166
Expenses:		
Investment management fees	1,462	1,781
Administration (note 7)	217	234
	1,679	2,015
Benefit payments:		
Retirement benefits	15,940	15,859
Refunds and transfers:		
Termination benefits	800	1,152
Death benefits	-	1,808
Total expenses, payments and transfers	18,419	20,834
(Decrease) increase in net assets	(16,496)	14,332
Net assets available for benefits, beginning of year	334,991	320,659
Net assets available for benefits, end of year	\$ 318,495	\$ 334,991

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, 2018, with comparative figures for 2017

	2018	2017
Pension obligations, beginning of year	\$ 323,790	\$ 323,731
Increases in pension obligations:		
Pension benefits accrued	-	18
Interest on accrued pension benefits	18,925	18,860
Decreases in pension obligations:		
Benefits paid	(16,740)	(18,819)
Pension obligations, end of year	\$ 325,975	\$ 323,790

See accompanying notes to financial statements.

CITY OF SASKATOON POLICE SUPERANNUATION PLAN

Notes to Financial Statements
(in thousands of dollars)

Year ended December 31, 2018

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.

CITY OF SASKATOON POLICE SUPERANNUATION PLAN

Notes to Financial Statements (continued)
(in thousands of dollars)

Year ended December 31, 2018

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.

The financial statements were authorized for issue by the Investment Committee on [DATE].

(b) Financial assets:

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

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

CITY OF SASKATOON POLICE SUPERANNUATION PLAN

Notes to Financial Statements (continued)
(in thousands of dollars)

Year ended December 31, 2018

2. Significant accounting policies – continued:

(b) Financial assets – (continued):

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

(c) Fair value measurement:

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

Fair value hierarchy

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

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

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

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

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.

(d) Trade date accounting:

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

CITY OF SASKATOON POLICE SUPERANNUATION PLAN

Notes to Financial Statements (continued)
(in thousands of dollars)

Year ended December 31, 2018

2. Significant accounting policies – continued:

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

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

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

(f) Transaction costs:

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

(g) Foreign exchange:

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

(h) Contributions:

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

(i) Benefits:

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

CITY OF SASKATOON POLICE SUPERANNUATION PLAN

Notes to Financial Statements (continued)
(in thousands of dollars)

Year ended December 31, 2018

2. Significant accounting policies – continued:

(j) Pension obligations:

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

(k) Use of estimates:

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

3. Accounting changes:

IFRS 9, *Financial Instruments* (IFRS 9)

This standard replaces the multiple classification and measurement models in IAS 39, *Financial Instruments: Classification and Measurement*, with a single model. Although the presumable measurement basis for financial assets (amortized cost, fair value through other comprehensive income and fair value through profit and loss) are similar to IAS 39 the classification criteria are significantly different. IFRS 9 also revises impairment models replacing an “incurred loss” model with an “expected credit loss” model. The mandatory effective date of IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company adopted these standards in the current year and it did not have a material impact on the financial statements.

CITY OF SASKATOON POLICE SUPERANNUATION PLAN

Notes to Financial Statements (continued)
(in thousands of dollars)

Year ended December 31, 2018

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:

	2018	2017
Canadian short-term investments	\$ 2,580	\$ 3,206

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

b) Real estate fund:

	2018	2017
Greystone Real Estate Fund Inc.	\$ 42,242	\$ 38,875

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:

	2018	2017
Pooled fixed income funds	\$ 104,463	\$ 109,032

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.

CITY OF SASKATOON POLICE SUPERANNUATION PLAN

Notes to Financial Statements (continued)
(in thousands of dollars)

Year ended December 31, 2018

4. Investments – continued:

d) Equities and pooled funds:

	2018	2017
Canadian common stocks	\$ -	\$ -
Canadian pooled equity funds	111,115	127,031
Foreign pooled equity funds	56,369	57,313
Total equities and pooled funds	\$ 167,484	\$ 184,344

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:

	2018	2017
Bona Vista Mortgage Fund "B"	\$ 2,494	\$ 311

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,

CITY OF SASKATOON POLICE SUPERANNUATION PLAN

Notes to Financial Statements (continued)
(in thousands of dollars)

Year ended December 31, 2018

4. Investments – continued:

f) Financial risk management (continued):

i) Risk policy (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.

CITY OF SASKATOON POLICE SUPERANNUATION PLAN

Notes to Financial Statements (continued)
(in thousands of dollars)

Year ended December 31, 2018

4. Investments – continued:

f) Financial risk management (continued):

(ii) Credit risk (continued):

Exposure to bond sectors (credit risk):

	2018	2017
Pooled fixed income funds	\$ 104,463	\$ 109,032

(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, 2018, the Plan's foreign currency exposure was \$131,766 (2017 - \$134,055).

	2018	2017
U.S. dollar	\$ 59,157	\$ 62,080
Euro	19,267	11,612
Japanese yen	9,537	16,190
British pound	9,473	6,597
Swiss franc	3,935	4,322
Hong Kong dollar	1,761	2,993
Other	28,636	30,261
	\$ 131,766	\$ 134,055

(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.

CITY OF SASKATOON POLICE SUPERANNUATION PLAN

Notes to Financial Statements (continued)
(in thousands of dollars)

Year ended December 31, 2018

4. Investments – continued:

f) Financial risk management (continued):

(iv) Interest rate risk (continued):

At December 31, 2018, the Plan's interest-bearing financial instruments totaled \$107,049 (2017 – \$112,244).

	2018	2017
Cash and short term investments	\$ 2,586	\$ 3,212
Bonds and debentures	104,463	109,032
	<u>\$ 107,049</u>	<u>\$ 112,244</u>

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:

	2018	2017
Bona Vista bonds	7.36%	7.35%
Fidelity bonds	7.45%	7.28%
Short term investments	.25%	.25%
Weighted average of bonds	7.41%	7.31%
Weighted average including short term investments	7.23%	7.11%

The Plan holds approximately 33.5% (2017 – 33.4%) of its investments in fixed income securities, 52.5% (2017 – 54.9%) in equities and 14.0% (2017 – 11.7%) in alternatives at December 31, 2018.

(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 \$167,484 at December 31, 2018 (2017 - \$184,344).

CITY OF SASKATOON POLICE SUPERANNUATION PLAN

Notes to Financial Statements (continued)
(in thousands of dollars)

Year ended December 31, 2018

4. Investments – continued:

f) Financial risk management (continued):

(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, 2018, the Plan has other liabilities of \$939 (2017 - \$926). 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, 2018, the Plan held cash and money market instruments totaling \$2,586 (2017 - \$3,212) 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, 2018
Money market investments	\$ -	\$ 2,580	\$ -	\$ 2,580
Real estate fund	-	-	42,242	42,242
Bonds and debentures	-	104,463	-	104,463
Equities and pooled funds	-	167,484	-	167,484
Mortgages	-	-	2,494	2,494
	\$ -	\$ 274,527	\$ 44,736	\$ 319,263

CITY OF SASKATOON POLICE SUPERANNUATION PLAN

Notes to Financial Statements (continued)
(in thousands of dollars)

Year ended December 31, 2018

4. Investments – continued:

f) Financial risk management (continued):

(vii) Fair value hierarchy (continued):

	Level 1	Level 2	Level 3	Balance as at December 31, 2017
Money market investments	\$ -	\$ 3,206	\$ -	\$ 3,206
Real estate 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

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

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

	Mortgages	Real estate fund	2018 Total
Balance, beginning of year	\$ 311	\$ 38,875	\$ 39,186
Acquisitions	2,306	-	2,306
Dispositions	(162)	-	(162)
Gain included in the Statement of Changes in Net Assets Available for Benefits	39	3,367	3,406
Balance, end of year	\$ 2,494	\$ 42,242	\$ 44,736

	Mortgages	Real estate fund	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

CITY OF SASKATOON POLICE SUPERANNUATION PLAN

Notes to Financial Statements (continued)
(in thousands of dollars)

Year ended December 31, 2018

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, 2018 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:

	2018	2017
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 (2017 – \$nil).

Experience gains and losses represent the change in pension obligations due to the difference between actual economic and demographic experience and expected experience. During 2018, experience gains and losses were \$nil (2017 – \$nil).

The deficiency of net assets available for benefits relative to the pension obligations results in the Plan being in a deficit position of \$7,480 as at December 31, 2018 (2017 – surplus position of \$11,201).

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.

CITY OF SASKATOON POLICE SUPERANNUATION PLAN

Notes to Financial Statements (continued)
(in thousands of dollars)

Year ended December 31, 2018

6. Funding policy (continued):

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:

	2018	2017
Administrative expenses	\$ 52	\$ 90
Actuarial fee	100	79
Custodial fees	35	36
Bank interest	30	29
Total administration expenses	\$ 217	\$ 234

8. Related party transactions:

During the year, the plan received unfunded liability contributions from the City of Saskatoon, employer of plan members, in the amount of \$1,594 (2017 – \$1,419) and paid administrative fees of \$26 (2017 - \$48).

DRAFT Financial Statements of

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

Year ended December 31, 2018

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, 2018, with comparative information for 2017

	2018	2017
Assets		
Investments (note 4)	\$ 9,716	\$ 9,946
Contributions receivable:		
Employee	4	4
Employer (note 5)	13	15
GST recoverable	7	6
	<u>\$ 9,740</u>	<u>9,971</u>
Liabilities		
Accounts payable and accrued liabilities	\$ 1	\$ 1
Bank indebtedness	119	99
	<u>120</u>	<u>100</u>
Net assets available for benefits	<u>\$ 9,620</u>	<u>\$ 9,871</u>

See accompanying notes to financial statements.

Approved By:

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, 2018, with comparative information for 2017

	2018	2017
Investments:		
Investment income and net realized gain on investments	\$ 43	\$ 40
Change in fair value:		
Change in net unrealized (losses) gains on investments	(446)	597
	(403)	637
Contributions (note 6):		
Employee contributions	362	372
Employer contributions (note 5)	362	372
	724	744
Increase in net assets before expenses and benefits	321	1,381
Expenses:		
Investment management fees	37	34
Administration	20	31
	57	65
Benefit payments:		
Retirement benefits	24	147
Refunds and transfers:		
Termination benefits	410	636
Death benefits	81	82
	491	718
Total expenses, payments and transfers	572	930
(Decrease) increase in net assets	(251)	451
Net assets available for benefits, beginning of year	9,871	9,420
Net assets available for benefits, end of year	\$ 9,620	\$ 9,871

See accompanying notes to financial statements.

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

Notes to Financial Statements
(in thousands of dollars)

Year ended December 31, 2018

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 6.

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.

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

Notes to Financial Statements (continued)
(in thousands of dollars)

Year ended December 31, 2018

2. Significant accounting policies:

(a) Basis of presentation:

These financial statements are prepared in accordance with Canadian accounting standards for pension plans. For matters not addressed in accounting standards for pension plans, International Financial Reporting Standards ("IFRS") have been adopted. These financial statements are prepared on a going concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity independent of the Sponsor and Plan members. These financial statements do not portray the funding requirement of the Plan or the benefit security of individual plan members.

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

The financial statements were authorized for issue by the Investment Committee on [DATE].

(b) Financial assets:

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

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

(c) Fair value measurement:

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

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

Notes to Financial Statements (continued)
(in thousands of dollars)

Year ended December 31, 2017

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.

(d) Trade date accounting:

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

(e) 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.

(f) Foreign exchange:

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

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

Notes to Financial Statements (continued)
(in thousands of dollars)

Year ended December 31, 2017

2. Significant accounting policies (continued):

(g) Contributions:

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

(h) Benefits:

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

(i) Use of estimates:

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

3. Accounting changes:

IFRS 9, *Financial Instruments* (IFRS 9)

This standard replaces the multiple classification and measurement models in IAS 39, *Financial Instruments: Classification and Measurement*, with a single model. Although the presumable measurement basis for financial assets (amortized cost, fair value through other comprehensive income and fair value through profit and loss) are similar to IAS 39 the classification criteria are significantly different. IFRS 9 also revises impairment models replacing an “incurred loss” model with an “expected credit loss” model. The mandatory effective date of IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company adopted these standards in the current year and it did not have a material impact on the financial statements.

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.

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

Notes to Financial Statements (continued)
(in thousands of dollars)

Year ended December 31, 2018

4. Investments (continued):

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

	2018	2017
5-Year GIC Fund	\$ 130	\$ 110
Short Term Bond Fund	47	42
Bond Fund	50	49
Core Plus Long Term Bond	5	2
Diversified Fund	9,254	9,517
Canadian Dividend Fund	12	7
Canadian Equity Growth Fund	9	4
Canadian Equity Fund	133	139
Fidelity True North R	8	6
International Equity Fund	29	30
U.S. Equity Fund	39	40
	\$ 9,716	\$ 9,946

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.

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

Notes to Financial Statements (continued)
(in thousands of dollars)

Year ended December 31, 2018

4. Investments (continued):

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, 2018, the Plan holds mutual funds of \$9,586 (2017 - \$9,836). 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.

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

Notes to Financial Statements (continued)
(in thousands of dollars)

Year ended December 31, 2018

4. Investments (continued):

g) Fair value hierarchy:

	Level 1	Level 2	Level 3	Balance at December 31, 2018
Guaranteed Income Investments	\$ -	\$ 130	\$ -	\$ 130
Short-term Bond Fund	47	-	-	47
Bond Fund	50	-	-	50
Core Plus Long Term Bond Fund	5	-	-	5
Diversified Fund	9,254	-	-	9,254
Canadian Dividend Fund	12	-	-	12
Canadian Equity Growth Fund	9	-	-	9
Canadian Equity Fund	133	-	-	133
Fidelity True North R	8	-	-	8
International Equity Fund	29	-	-	29
U.S. Equity Fund	39	-	-	39
	\$ 9,586	\$ 130	\$ -	\$ 9,716

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

Notes to Financial Statements (continued)
(in thousands of dollars)

Year ended December 31, 2018

4. Investments (continued):

	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

There were no significant transfers of investments between Level 1 and Level 2 during 2018 and 2017.

5. Related party transactions:

During the year, the plan received contributions from the City of Saskatoon, employer of plan members, in the amount of \$362 (2017 - \$372). Contributions receivable at December 31, 2018 includes \$13 (2017 - \$14) owing from the City of Saskatoon.

6. 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.