CITY OF SASKATOON
GENERAL SUPERANNUATION PLAN
FINANCIAL STATEMENTS
December 31, 2016

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

(in thousands of dollars)	**2016**	2015
ASSETS		
Accounts Receivable		
Plan Sponsor	1,477	1,804
Investment income	1,022	1,112
Unsettled investment sales	-	112
Other	56	25
	2,555	3,053
Investments (note 3)	797,631	746,583
	800,186	749,636
LIABILITIES		
Operating bank account	2,063	2,026
Accounts Payable	357	703
Unsettled investment purchases	238	-
	2,658	2,729
NET ASSETS AVAILABLE FOR BENEFITS	797,527	746,907
PENSION OBLIGATIONS (note 6)	773,904	724,710
PENSION SURPLUS	23,623	22,197

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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)	**2016**	2015
INCREASE IN ASSETS		
Investment Income	23,628	24,389
Gain in fair value of investments	37,488	23,261
	61,116	47,650
Employee Contributions - current and past service	16,048	14,475
Employer Contributions	15,429	14,327
Transfers From Other Plans	931	567
	32,408	29,369
	93,524	77,019
DECREASE IN ASSETS		
Retirement Benefits Paid	35,434	33,194
Death Benefits Paid	516	2,380
Refund of Contributions	936	769
Transfers To Other Plans	2,887	2,371
Administration Expenses (note 8)	3,131	2,733
	42,904	41,447
INCREASE IN ASSETS AVAILABLE FOR BENEFITS	50,620	35,572
NET ASSETS AVAILABLE FOR BENEFITS - BEGINNING OF YEAR	746,907	711,335
NET ASSETS AVAILABLE FOR BENEFITS - END OF YEAR	797,527	746,907

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

(in thousands of dollars)	2016	2015
INCREASE IN PENSION OBLIGATIONS		
Interest accrued on benefits	46,238	44,691
Accrued pension benefits	23,144	22,309
Experience losses	4,162	2,903
Change in actuarial assumptions	14,492	18,010
	88,036	87,913
DECREASE IN PENSION OBLIGATIONS		
Benefit payments and transfers	38,842	38,147
	38,842	38,147
NET INCREASE IN PENSION OBLIGATIONS	49,194	49,766
PENSION OBLIGATIONS - BEGINNING OF YEAR	724,710	674,944
PENSION OBLIGATIONS - END OF YEAR	773,904	724,710

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CITY OF SASKATOON
GENERAL SUPERANNUATION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(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.

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1. DESCRIPTION OF THE PLAN (continued)

(i) Income Taxes

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

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

These financial statements are presented in the Plan's functional currency, Canadian Dollars. The financial statements were authorized for issue by the Board of Trustees on June 1, 2016.

(b) Valuation of investment assets and liabilities

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

Fair Value Hierarchy

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

(in thousands of dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

3. INVESTMENTS

The investment managers appointed by the Plan are directed to achieve a satisfactory long-term real rate of return through a diversified portfolio within their mandate, consistent with acceptable risks and prudent management. To achieve this long-term investment goal, the Plan has adopted an asset mix that has a bias to equity investments. Risk is controlled by investing in a well-diversified portfolio of asset classes, including Canadian and foreign equities, as well as by maintaining a substantial fixed-income exposure.

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

Assets (as a % of market value)	**Minimum** %	**Benchmark** %	**Maximum** %
Equities			
Canadian equities	15	20	27
U.S. equities	12	17.5	25
Non-North American equities	12	17.5	25
Total Equities	45	55	65
Private Equities	0	5	10
Real Estate	8	10	15
Fixed Income			
Canadian Bonds	10	15	20
Canadian Mortgages	2	6	10
Private Infrastructure Debt	2	4.5	7
Private Debt	2	4.5	7
Short-term investments	0	0	10
Total Fund		100	

(in thousands of dollars)

3. INVESTMENTS (continued)

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

	As at and for the year ended December 31, 2016				
	Fair Value	Cost	Current-year change in fair value	Investment Income	Total return
Cash	$ 1,042	$ 1,042	$ -	$ -	$ -
Short-term investments	4,163	4,162	(117)	18	(99)
	5,205	5,204	(117)	18	(99)
Fixed income investments:					
Bond Pooled Funds	137,987	140,106	(301)	5,866	5,565
Mortgage Pooled Funds	29,630	29,574	56	540	596
Private Infrastructure Debt Pooled Funds	25,393	26,421	(1,028)	823	(205)
Private Debt Pooled Funds	35,761	35,885	(124)	885	761
	228,771	231,986	(1,397)	8,114	6,717
Equities:					
Canadian equities	164,870	110,690	29,292	3,955	33,247
U.S equities	149,198	119,933	9,421	3,305	12,726
Non-North American equities	138,655	125,678	(5,170)	3,891	(1,279)
	452,723	356,301	33,543	11,151	44,694
Real Estate Pooled Funds	64,372	62,730	192	3,332	3,524
Private Equity Pooled Funds	46,560	26,281	5,267	1,013	6,280
	$ 797,631	$ 682,502	$ 37,488	$ 23,628	$ 61,116

	As at and for the year ended December 31, 2015				
	Fair Value	Cost	Current-year change in fair value	Investment Income	Total return
Cash	$ 1,459	$ 1,459	$ -	$ -	$ -
Short-term investments	1,323	1,323	-	75	75
	2,782	2,782	-	75	75
Fixed income investments	222,211	215,594	413	7,145	7,558
Equities:					
Canadian equities	135,238	107,119	(11,693)	4,118	(7,575)
U.S equities	145,203	95,035	12,274	3,356	15,630
Non-North American equities	141,475	121,953	15,711	4,408	20,119
	421,916	324,107	16,292	11,882	28,174
Real Estate Pooled Funds	61,055	59,605	(1,403)	4,745	3,342
Private Equity Pooled Funds	38,619	23,624	7,959	542	8,501
	$ 746,583	$ 625,712	$ 23,261	$ 24,389	$ 47,650

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3. INVESTMENTS (continued)

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

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

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

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

4. INVESTMENT RISK

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

(i) Risk Policy

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

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

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

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

(in thousands of dollars)

4. INVESTMENT RISK (continued)

(ii) Credit risk

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

Investment Portfolio Concentration:	2016		2015	
	$	%	$	%
Federal securities & guarantees	23,813	10.4%	78,663	35.4%
Provincial securities & guarantees	41,983	18.4%	74,663	33.6%
Municipal securities	761	0.3%	4,666	2.1%
Corporate securities	150,531	65.8%	62,441	28.1%
Other	11,683	5.1%	1,778	0.8%
	228,771	100.0%	222,211	100.0%
Credit Rating				
AAA	29,812	13.0%	94,884	42.7%
AA	52,705	23.0%	55,553	25.0%
A	67,491	29.5%	49,775	22.4%
BBB	59,962	26.2%	21,999	9.9%
Non-investment grade	10,131	4.4%	-	-
Not rated	8,669	3.8%	-	-
	228,771	100.0%	222,211	100.0%

(iii) Interest Rate Risk

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

Investments that bear fixed rates of interest are most sensitive to changes in interest rates. The Plan holds 28.8% (2015 – 29.8%) of its assets in investments that bear fixed rates of interest. These investments are held in pooled funds. The fixed income portfolio sensitivity to interest rate changes was estimated using the weighted average duration of the pooled funds' portfolios. The table below illustrates the potential impact on the Plan's net assets if the nominal interest rates changed by 1% (100 basis-points):

	2016	2015
Impact on Value	6.94%	7.39%
Fixed income portfolio Value	$ 228,771	$ 222,211
1% increase in rate	(15,875)	(16,421)
1% decrease in rate	15,875	16,421

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(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		2016		2015
		Exposure in CAD		
U.S. Dollars	$	115,797	$	110,824
Euros		59,659		61,549
Pounds Sterling		22,672		27,625
Japanese Yen		18,037		16,107
Swiss Franc		10,286		9,238
Other		24,286		22,052
	$	250,737	$	247,395

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		2016		2015
		Exposure in CAD		
U.S. Dollars	$	+/- 1,158	$	+/- 1,108
Euros		597		615
Pounds Sterling		227		276
Japanese Yen		180		161
Swiss Franc		103		92
	$	+/- 2,265	$	+/- 2,252

(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.

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(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 $452,723 at December 31, 2016 (2015 - $421,916). 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:

	2016		2015	
Public Equity Market	Increase	Decrease	Increase	Decrease
Canadian	$ 1,649	$ (1,649)	$ 1,352	$ (1,352)
U.S.	1,492	(1,492)	1,452	(1,452)
Non-North American	1,387	(1,387)	1,415	(1,415)
	$ 4,527	$ (4,527)	$ 4,219	$ (4,219)

(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, 2016, the Plan has total financial liabilities of $2,658 (2015 - $2,729) consisting of accounts payable and bank indebtedness that will generally be settled within 90 days of the year end.

As at December 31, 2016, the Plan held cash and short-term investments totalling $5,205 (2015 – $2,782) which are readily available to settle such obligations. Other of the Plan's assets are traded in active markets and can be easily converted to cash to cover such obligations.

(in thousands of dollars)

4. INVESTMENT RISK (continued)

(vii) Fair value hierarchy

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

	Level 1	**Level 2**	**Level 3**	***Balance as at December 31, 2015***
Equities	$ 198,871	$ 223,045	$ 99,674	$ 521,590
Fixed Income Securities	-	222,211	-	222,211
Cash and Short-term Instruments	1,914	868	-	2,782
	$ 200,785	$ 446,124	$ 99,674	$ 746,583

There were no significant transfers of investments between Level 1 and Level 2 during 2016 or 2015.

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

	2016	2015
Fair Value, Beginning of Year	$ 99,674	$ 86,659
Transfers to level 3 for purchases	62,788	2,310
Investment income, net of fees	5,316	4,149
Current-year change in fair value	4,308	6,556
Fair Value, End of Year	$ 172,086	$ 99,674

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, 2016, these potential unfunded commitments totalled $43,332 (2015: $18,961). The Plan has sufficient liquidity to meet these commitments as they come due.

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(in thousands of dollars)

6. PENSION OBLIGATIONS

An actuarial valuation was prepared as of December 31, 2016 by Aon Hewitt, a firm of consulting actuaries.

The Statement of Changes in Pension Obligations displays the actuarial present value of benefits as at December 31, 2016. 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:

	2016	2015
Asset rate of return	6.30%	6.45%
Discount rate	6.30%	6.45%
Salary escalation rate	3.25% + merit	3.25% + merit
Inflation rate	2.25%	2.25%

Changes in actuarial assumptions between 2016 and 2015, and in particular the decrease in the discount rate, resulted in an increase in the pension obligations of $14,492 (2015 - $18,010).

Experience gains and losses represent the change in pension obligations due to the difference between actual economic and demographic experience and expected experience. During 2016, experience losses were $4,162 (2015 - $2,903).

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:

	2016	2015
Pension Obligations	$ 773,904	$ 724,710
0.50% increase in rate	(47,279)	(43,320)
0.50% decrease in rate	52,919	48,307

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, 2014 and a copy of this valuation was filed in 2015. The Pension Benefits Act, 1992 (Saskatchewan) requires that an actuarial certificate be filed with Financial and Consumer Affairs Authority at least every three years, or earlier if the plan is significantly amended.

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

(in thousands of dollars)

7. FUNDING POLICY (continued)

Legislation. Members may also make certain voluntary contributions and exercise pension buybacks for which the Sponsor has no obligation to match. For the 2016 and 2015 fiscal years and subsequent years the following contribution rates have been recommended:

	Year	Salary below the YMPE *	Salary above the YMPE *
Member contribution rate	2015	8.1%	9.7%
	2016	8.4%	10.0%
	2017	8.4%	10.0%

* The year's maximum pensionable earnings (YMPE) were $54,900 in 2016 and $53,600 in 2015.

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.

	2016	2015
Investment management fees	$ 2,577	$ 2,154
Pension administration	263	256
Actuarial fees	80	90
Other administration	210	233
	$ 3,131	$ 2,733

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:

	2016	2015
Plan Sponsor's contributions	$ 15,429	$ 14,327
Administration expenses	263	256
Receivable from Plan Sponsor	1,477	1,804
Payable to Plan Sponsor	-	342

Draft Financial Statements of

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

Year ended December 31, 2016

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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, 2016, with comparative information for 2015

		2016		2015
Assets				
Investments (note 4)	$	9,476	$	9,556
Contributions receivable:				
Employee		4		5
Employer		12		11
GST recoverable		6		4
		9,498		9,576
Liabilities				
Accounts payable and accrued liabilities	$	2	$	4
Bank indebtedness		76		58
		78		62
Net assets available for benefits	$	9,420	$	9,514

See accompanying notes to financial statements.

Approved By:

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

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

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Investments:		
Investment income	$ 1	$ 2
Change in fair value:		
Net realized gain on investments	297	233
Change in net unrealized gains on investments	18	365
	315	598
Contributions:		
Employee contributions	311	299
Employer contributions	311	299
	622	598
Increase in net assets before expenses and benefits	938	1,198
Expenses:		
Investment management fees	57	82
Administration	18	22
	75	104
Benefit payments:		
Retirement benefits	252	266
Refunds and transfers:		
Termination benefits	705	406
Death benefits	-	146
	705	552
Total expenses, payments and transfers	1,032	922
Increase (decrease) in net assets	(94)	276
Net assets available for benefits, beginning of year	9,514	9,238
Net assets available for benefits, end of year	$ 9,420	$ 9,514

See accompanying notes to financial statements.

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1. Description of the plan:

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

a) General:

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

b) Funding policy:

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

c) Retirement benefits:

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

d) Death benefit:

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

e) Termination benefits:

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

f) Income taxes:

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

2. Significant accounting policies:

(a) Basis of presentation:

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

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

(b) Valuation of investment assets:

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

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2. Significant accounting policies (continued):

Fair value hierarchy

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

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

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

(c) Trade date accounting:

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

(d) Interest and dividends on investments and changes in fair value of investments:

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

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

(e) Foreign exchange:

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

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3. New accounting standards (continued):

(f) Contributions:

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

(g) Benefits:

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

(h) Use of estimates:

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

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3. Future accounting changes:

IFRS 9, *Financial Instruments* (IFRS 9)

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

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

4. Investments:

iA Financial Group acts as the custodian of the investment accounts. They also perform the record keeping function and are responsible for the member booklets, retirement tools, member records, website access, member statements, etc. iA Financial Group is also the investment manager for the 5-Year GIC Fund, the Short-term Bond Fund, Diversified Fund and International Equity Fund. Phillips, Hager and North Investment Management is the investment manager of the Bond Fund and Jarislowsky Fraser Global Investment Management is the investment manager for the Canadian Equity Fund. Plan participants are able to direct their investments to the fund(s) of their choice whereas the contributions made by the City of Saskatoon are invested in the Diversified Fund.

(in thousands of dollars)

4. Investments (continued):

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

		2016		2015
5-Year GIC Fund	$	102	$	72
Short Term Bond Fund		38		-
Bond Fund		44		-
Diversified Fund		9,091		-
Canadian Equity Fund		151		-
International Equity Fund		18		-
U.S. Equity Fund		32		-
Integra Growth Allocation Fund (Lifecycle #1)				83
Integra Strategic Allocation Fund (Lifecycle #2)				65
Integra Conservative Allocation Fund (Lifecycle #3)				14
Integra Balanced Fund				9,108
Integra U.S. Value Growth Fund				29
Integra Canadian Value Growth Fund				110
Integra International Equity Fund				10
Integra Bond Fund				35
Integra Short-term Investment Fund				30
	$	9,476	$	9,556

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".

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4. Investments (continued):

b) Credit risk:

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

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

c) Foreign 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.

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(in thousands of dollars)

4. Investments (continued):

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, 2016, the Plan holds mutual funds of $9,374 (2015 - $9,484). 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.

g) Fair value hierarchy:

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

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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, 2016

4. Investments (continued):

g) Fair value hierarchy (continued):

	Level 1	Level 2	Level 3	Balance as at December 31, 2015
Integra Growth Allocation Fund	83	-	-	83
Integra Growth Strategic Allocation Fund	65	-	-	65
Integra Conservative Allocation Fund	14	-	-	14
Integra Balance Fund	9,108	-	-	9,108
Integra U.S. Value Growth Fund	29	-	-	29
Integra Canadian Value Growth Fund	110	-	-	110
Integra International Equity Fund	10	-	-	10
Integra Bond Fund	35	-	-	35
Integra Short-term Investment Fund	30	-	-	30
5-Year GIC's	-	72	-	72
	$ 9,484	$ 72	$ -	$ 9,556

There were no significant transfers of investments between Level 1 and Level 2 during 2016 and 2015.

5. Funding policy:

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

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Financial Statements of

CITY OF SASKATOON FIRE AND PROTECTIVE SERVICES DEPARTMENT SUPERANNUATION PLAN

Year ended December 31, 2016

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CITY OF SASKATOON FIRE AND PROTECTIVE SERVICES DEPARTMENT SUPERANNUATION PLAN

Statement of Financial Position
(in thousands of dollars)

As at December 31, 2016, with comparative information for 2015

	2016	2015
Assets		
Cash	$ 779	$ 483
Investments (note 4)	167,114	159,912
Accrued investment income	43	37
Contributions receivable:		
Employee	-	126
Employer	-	273
GST recoverable	48	38
	167,984	160,869
Liabilities		
Accounts payable and accrued liabilities	$ 202	$ 179
Bank indebtedness	1,494	885
	1,696	1,064
Net assets available for benefits	166,288	159,805
Pension obligations (note 5)	178,628	168,746
Deficit	$ (12,340)	$ (8,941)

See accompanying notes to financial statements.

Approved By:

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CITY OF SASKATOON FIRE AND PROTECTIVE SERVICES DEPARTMENT SUPERANNUATION PLAN

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

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Investments:		
Interest income	$ 2,351	$ 1,843
Dividends and distributions	9,687	5,255
	12,038	7,098
Change in fair value:		
Net realized gain on sale of investments	768	768
Change in net unrealized gains (losses) on investments	3,135	(1,807)
	3,903	(1,039)
Contributions (note 6):		
Employee	23	3,666
Employer	23	3,645
Transfer from other plans	45	77
	91	7,388
Increase in net assets before expenses and benefits	16,032	13,447
Expenses:		
Investment management fees	912	612
Administration (note 7)	192	357
	1,104	969
Benefit payments:		
Retirement benefits	8,445	8,008
Refunds and transfers:		
Termination and death benefits	-	50
Total expenses, payments and transfers	9,549	9,027
Increase in net assets	6,483	4,420
Net assets available for benefits, beginning of year	159,805	155,385
Net assets available for benefits, end of year	$ 166,288	$ 159,805

See accompanying notes to financial statements.

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CITY OF SASKATOON FIRE AND PROTECTIVE SERVICES DEPARTMENT SUPERANNUATION PLAN

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

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Pension obligations, beginning of year	$ 168,746	$ 157,585
Increases in pension obligations:		
Pension benefits accrued	28	4,213
Interest on accrued pension benefits	10,367	10,198
Changes in actuarial assumptions	6,723	5,227
Experience losses	1,164	-
Decreases in pension obligations:		
Benefits paid	(8,400)	(7,981)
Experience gains	-	(496)
Pension obligations, end of year	$ 178,628	$ 168,746

See accompanying notes to financial statements.

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1. Description of the plan:

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

a) General:

The Plan is a contributory defined benefit pension plan covering all uniformed employees of the City of Saskatoon Fire and Protective Services Department. Under the Plan, contributions are made by the Plan members and the City of Saskatoon (the "Sponsor"). The Plan is registered under The Pension Benefits Act, 1992 (Saskatchewan) registration #0308262.

b) Funding policy:

The Plan requires that the City of Saskatoon and the members equally fund benefits determined under the Plan. The determination of the value of these benefits is made on the basis of the most recently filed actuarial valuation (see note 6).

c) Service pensions:

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

d) Disability provisions:

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

e) Death benefits:

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

1. Description of the plan (continued):

f) Survivors' pensions:

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

g) Termination benefits:

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

h) Income taxes:

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

2. Significant accounting policies:

(a) Basis of presentation:

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

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2. Significant accounting policies (continued):

(b) Valuation of investment assets:

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

Fair value hierarchy

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

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

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

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

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

(c) Trade date accounting:

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

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2. Significant accounting policies (continued):

(d) Interest and dividends on investments and changes in fair value of investments:

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

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

(e) Transaction costs:

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

(f) Foreign exchange:

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

(g) Contributions:

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

(h) Benefits:

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

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2. Significant accounting policies (continued):

(i) Pension obligations:

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

(j) Use of estimates:

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

3. Future accounting changes:

IFRS 9, *Financial Instruments* (IFRS 9)

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

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

4. Investments:

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

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

(a) Money market instruments:

	2016	2015
Canadian short-term investments	$ 150	$ 599
Total money market instruments	$ 150	$ 599

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

(b) Bonds and debentures:

	2016	2015
Pooled fixed income funds	$ 52,376	$ 51,391
Total bonds and debentures	$ 52,376	$ 51,391

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.

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4. Investments (continued):

(c) Equities and pooled funds:

		2016		2015
Canadian common stocks	$	21,487	$	17,526
Canadian real estate pooled funds		14,921		14,152
Canadian pooled equity funds		22,199		19,732
U.S. pooled equity funds		12,580		12,830
Foreign pooled equity funds		43,401		43,682
Total equities and pooled funds	$	114,588	$	107,922

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

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

(d) Financial risk management:

(i) Risk policy:

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

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

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

4. Investments (continued):

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

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

(ii) Credit risk:

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

Exposure to bond sectors (credit risk):

	2016	2015
Pooled fixed income funds	$ 52,376	$ 51,391

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4. Investments (continued):

(iii) Foreign currency risk:

The Plan is exposed to foreign currency risk through holding of foreign equities where the investment values may fluctuate due to changes in foreign exchange rates. The Plan manages and estimates the foreign currency risk by focusing on equity distribution by country invested in. The policy limits foreign currency exposure of bond investments to 10% of market value of the bond portfolio. The exposure to U.S. currency is net of investments in the pooled fund where the U.S. currency is hedged. At December 31, 2016, the Plan's foreign currency exposure was $55,190 (2015 - $56,189).

	2016	2015
U.S. dollar	$ 28,141	$ 27,255
Euro	4,897	4,856
Japanese yen	4,277	5,338
British pound	4,058	3,735
Swiss franc	3,777	4,279
Hong Kong dollar	2,317	2,355
Other	7,723	8,371
	$ 55,190	$ 56,189

(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, 2016, the Plan's exposure to interest rate risk was $53,305 (2015 - $52,473).

	2016	2015
Cash and short term investments	$ 929	$ 1,082
Bonds and debentures	52,376	51,391
	$ 53,305	$ 52,473

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

4. Investments (continued):

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

	2016	2015
Leith Wheeler bonds	7.7%	7.2%
Weighted average	7.7%	7.2%

The Plan holds approximately 31.8% (2015 – 32.7%) of its investments in fixed income securities and 68.2% (2015 – 67.3%) in equities and equity pooled funds at December 31, 2016.

(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 $114,588 at December 31, 2016 (2015 - $107,922).

(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, 2016, the Plan has other liabilities of $1,696 (2015 - $1,064). 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, 2016, the Plan held cash and money market instruments totaling $929 (2015 - $1,082) 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.

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4. Investments (continued):

(vii) Fair value hierarchy:

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

		Level 1		Level 2		Level 3		Balance as at December 31, 2015
Equities and pooled funds	$	17,526	$	76,244	$	14,152	$	107,922
Bonds and debentures		-		51,391		-		51,391
Short-term investments		-		599		-		599
	$	17,526	$	128,234	$	14,152	$	159,912

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

The following table reconciles the Plan's Level 3 fair value measurements from December 31, 2015 to December 31, 2016:

		Equities
Balance, beginning of year	$	14,152
Net acquisitions		788
Net dispositions		(64)
Gain included in the Statement of Changes in Net Assets Available for Benefits		45
Balance, end of year	$	14,921

5. Pension obligations:

An actuarial valuation was prepared as of December 31, 2015 by AON Hewitt, a firm of consulting actuaries. The pension obligation reflected on the Statement of Changes in Pension Obligations as at December 31, 2016 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:

	2016	2015
Expected return on plan assets	5.95%	6.30%
Inflation rate	2.25%	2.50%
Rate of compensation increase (including inflation component)	3.25%	3.50%
Discount rate per annum for all members	5.95%	6.30%
Average remaining service period of active employees	13.0 years	13.0 years

Changes in actuarial assumptions, including mortality assumptions and discount rates, between 2015 and 2016 resulted in an increase in pension obligation of $6,723.

Experience gains and losses represent the change in pension obligations due to the difference between actual economic and demographic experience and expected experience. During 2016, experience losses were $1,164 (2015 – gains of $496).

The deficiency of net assets available for benefits relative to pension obligations results in the Plan being in a deficit position of $12,340 as at December 31, 2016 (2015 – deficit of $8,941).

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6. Funding policy:

In accordance with the Plan Agreement, members are required to contribute 10.9% of their salary. The City of Saskatoon is required to match member contributions. Any costs over the 10.9% matching contribution rate will be shared equally between the members and the City of Saskatoon.

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.

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 will be required to make minimum contributions to the Plan of 3.5% of pensionable earnings to fund the deficit. These contributions are required to be made until the next funding recommendation is certified. The effective date of the next actuarial valuation is expected to be December 31, 2018.

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

7. Administration expenses:

	2016	2015
Actuarial fee	$ 104	$ 245
Administrative expenses	43	82
Custodian fee	29	20
Bank interest	16	10
	$ 192	$ 357

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Financial Statements of

THE SASKATOON FIRE FIGHTERS' PENSION PLAN

Year ended December 31, 2016

THE SASKATOON FIRE FIGHTERS' PENSION PLAN

Statement of Financial Position
(in thousands of dollars)

As at December 31, 2016

		2016
Assets		
Cash	$	371
Investments (note 4)		5,451
Contributions receivable:		
Employer		260
GST recoverable		7
		6,089
Liabilities		
Accounts payable and accrued liabilities	$	19
		19
Net assets available for benefits		6,070
Pension obligations (note 5)		5,144
Surplus	$	926

See accompanying notes to financial statements.

Approved By:

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THE SASKATOON FIRE FIGHTERS' PENSION PLAN

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

Year ended December 31, 2016

		2016
Investments:		
Interest income	$	20
Dividends and distributions		25
		45
Change in fair value:		
Net realized gain on sale of investments		1
Change in net unrealized gains on investments		294
		295
Contributions:		
Employee		3,181
Employer		3,179
Transfer from other plans		-
		6,360
Increase in net assets before expenses and benefits		6,700
Expenses:		
Investment management fees		7
Administration (note 7)		455
		462
Refunds and transfers:		
Termination and death benefits		168
Total expenses, payments and transfers		630
Increase in net assets		6,070
Net assets available for benefits, beginning of year		-
Net assets available for benefits, end of year	$	6,070

See accompanying notes to financial statements.

THE SASKATOON FIRE FIGHTERS' PENSION PLAN

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

Year ended December 31, 2016

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

See accompanying notes to financial statements.

1. Description of the plan:

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

a) General:

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

b) Funding policy:

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

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

c) Service pensions:

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

d) Disability provisions:

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

e) Death benefits:

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

1. Description of the plan (continued):

f) Survivors' pensions:

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

If the member has a spouse on the date of retirement the normal form of pension is a monthly payment payable to the member for the member’s lifetime with 60% of the pension otherwise payable continuing to the surviving spouse upon the member's death. In any event, payments to the member and spouse are guaranteed to be made for at least 60 months. This normal form of pension for a member with a spouse shall be actuarially equivalent to the normal form of pension paid to a single member.

g) Termination benefits:

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

h) Income taxes:

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

2. Significant accounting policies:

(a) Basis of presentation:

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

2. Significant accounting policies (continued):

(b) Valuation of investment assets:

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

Fair value hierarchy

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

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

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

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

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

(c) Trade date accounting:

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

2. Significant accounting policies (continued):

(d) Interest and dividends on investments and changes in fair value of investments:

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

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

(e) Transaction costs:

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

(f) Foreign exchange:

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

(g) Contributions:

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

(h) Benefits:

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

2. Significant accounting policies (continued):

(i) Pension obligations:

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

(j) Use of estimates:

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

3. Future accounting changes:

IFRS 9, *Financial Instruments* (IFRS 9)

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

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

4. Investments:

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

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

(a) Money market instruments:

		2016
Canadian short-term investments	$	61

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

(b) Bonds and debentures:

		2016
Pooled fixed income funds	$	1,903

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

4. Investments (continued):

(c) Equities and pooled funds:

		2016
Canadian pooled equity funds	$	1,797
U.S. pooled equity funds		488
Foreign pooled equity funds		1,202
Total equities and pooled funds	$	3,487

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

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

(d) Financial risk management:

(i) Risk policy:

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

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

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

4. Investments (continued):

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

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

(ii) Credit risk:

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

Exposure to bond sectors (credit risk):

		2016
Pooled fixed income funds	$	1,903

(in thousands of dollars)

4. Investments (continued):

(iii) Foreign currency risk:

The Plan is exposed to foreign currency risk through holding of foreign equities where the investment values may fluctuate due to changes in foreign exchange rates. The Plan manages and estimates the foreign currency risk by focusing on equity distribution by country invested in. The policy limits foreign currency exposure of bond investments to 10% of market value of the bond portfolio. The exposure to U.S. currency is net of investments in the pooled fund where the U.S. currency is hedged. At December 31, 2016, the Plan's foreign currency exposure was $1,671.

		2016
U.S. dollar	$	857
Euro		149
British pound		135
Japanese yen		124
Swiss franc		107
Hong Kong dollar		67
Other		232
	$	1,671

(iv) Interest rate risk:

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

At December 31, 2016, the Plan's exposure to interest rate risk was $2,335.

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

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

(in thousands of dollars)

4. Investments (continued):

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

	2016
Leith Wheeler bonds	7.7%
Weighted average	7.7%

The Plan holds approximately 40.1% of its investments in fixed income securities and 59.9% in equities and equity pooled funds at December 31, 2016.

(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 $3,487 at December 31, 2016.

(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, 2016, the Plan has other liabilities of $19. Other liabilities relate to accounts payable and accrued liabilities and will generally be settled within 90 days of the year end.

As at December 31, 2016, the Plan held cash and money market instruments totaling $432 which are readily available to settle such obligations.

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

(in thousands of dollars)

4. Investments (continued):

(vii) Fair value hierarchy:

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

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

5. Pension obligations:

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

	2016
Expected return on plan assets	6.20%
Inflation rate	2.25%
Rate of compensation increase (including inflation component)	3.25%
Discount rate per annum for all members	6.20%
Average remaining service period of active employees	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 $926 as at December 31, 2016.

(in thousands of dollars)

6. Funding policy:

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

The most recent actuarial valuation for funding purposes was prepared by AON Hewitt as of January 1, 2016 and a copy of this valuation was filed with the Financial and Consumer Affairs Authority of Saskatchewan. This valuation disclosed that the current fixed contribution rate of 18% is sufficient to meet the Plan's funding needs, including margin, on a going concern basis. The effective date of the next actuarial valuation is expected to be December 31, 2018.

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

7. Administration expenses:

		2016
Actuarial fees	$	382
Administrative expenses		52
Custodian fee		16
Bank interest		5
	$	455

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Financial Statements of

CITY OF SASKATOON
POLICE SUPERANNUATION PLAN

Year ended December 31, 2016

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CITY OF SASKATOON POLICE SUPERANNUATION PLAN

Statement of Financial Position
(in thousands of dollars)

As at December 31, 2016, with comparative information for 2015

	2016	2015
Assets		
Cash	$ 455	$ 1,110
Investments (note 4)	321,605	312,398
Accrued investment income	43	54
Contributions receivable:		
Employee	-	164
Employer	-	335
GST recoverable	120	94
	322,223	314,155
Liabilities		
Accounts payable and accrued liabilities	$ 1,365	$ 352
Bank indebtedness	199	862
	1,564	1,214
Net assets available for benefits	320,659	312,941
Pension obligations (note 5)	323,731	303,734
Surplus (deficit)	$ (3,072)	$ 9,207

See accompanying notes to financial statements.

Approved by:

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CITY OF SASKATOON POLICE SUPERANNUATION PLAN

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

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Investment income:		
Interest income	$ 3,414	$ 5,549
Dividends and distributions	9,792	5,991
	13,206	11,540
Change in fair value:		
Net realized gain on sale of investments	1,789	26,743
Change in net unrealized gains (losses) on investments	10,753	(22,042)
	12,542	4,701
Contributions (note 6):		
Employee	37	4,867
Employer	2	4,867
Transfer from other plans	24	198
	63	9,932
Increase in net assets before expenses and benefits	25,811	26,173
Expenses:		
Investment management fees	1,835	1,467
Administration (note 7)	271	451
	2,106	1,918
Benefit payments:		
Retirement benefits	15,522	15,185
Refunds and transfers:		
Termination benefits	465	329
Total expenses, payments and transfers	18,093	17,432
Increase in net assets	7,718	8,741
Net assets available for benefits, beginning of year	312,941	304,200
Net assets available for benefits, end of year	$ 320,659	$ 312,941

See accompanying notes to financial statements.

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CITY OF SASKATOON POLICE SUPERANNUATION PLAN

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

Year ended December 31, 2016, with comparative figures for 2015

		2016		2015
Pension obligations, beginning of year	$	303,734	$	291,333
Increases in pension obligations:				
Pension benefits accrued		4		8,707
Interest on accrued pension benefits		19,521		19,010
Changes in actuarial assumptions		23,660		-
Decreases in pension obligations:				
Benefits paid		(15,928)		(15,316)
Experience gains		(7,260)		-
Pension obligations, end of year	$	323,731	$	303,734

See accompanying notes to financial statements.

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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.

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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.

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2. Significant accounting policies – continued:

(b) Valuation of investment assets:

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

Fair value hierarchy

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

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

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

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

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

(c) Trade date accounting:

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

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2. Significant accounting policies – continued:

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

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

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

(e) Transaction costs:

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

(f) Foreign exchange:

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

(g) Contributions:

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

(h) Benefits:

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

DRAFT

2. Significant accounting policies – continued:

(i) Pension obligations:

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

(j) Use of estimates:

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

3. Future accounting changes:

IFRS 9, *Financial Instruments* (IFRS 9)

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

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

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(in thousands of dollars)

4. Investments:

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

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

a) Money market investments:

	2016	2015
Canadian short-term investments	$ 1,789	$ 4,672

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

	2016	2015
Greystone Real Estate Fund Inc.	$ 35,138	$ 32,621

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

	2016	2015
Pooled fixed income funds	$ 88,025	$ 90,198

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.

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(in thousands of dollars)

4. Investments – continued:

d) Equities and pooled funds

		2016		2015
Canadian common stocks	$	19,615	$	23,375
Canadian pooled equity funds		104,164		90,893
Foreign pooled equity funds		72,273		69,699
Total equities and pooled funds	$	196,052	$	183,967

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:

		2016		2015
Bona Vista Mortgage Fund “B”	$	601	$	940

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,

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4. Investments – continued:

foreign equities and non-government bonds. The Plan has moderate to moderately high risk tolerance. As a result, an investment philosophy with an equity bias has been adopted. The Board of Trustees attempts to reduce the overall level of risk by diversifying the asset classes and further diversifying within each individual asset class. The overall risk posture of the Plan is influenced by demographics as well as the funded position of the Plan.

The long-term investment goal of the Plan is to achieve a minimum annualized return of 4.10 percentage points in excess of the Canadian Consumer Price Index. This 4.10% real return objective is consistent with the overall investment risk level that the Plan could assume in order to meet the pension obligations of the Plan, and normally will be assessed over longer time periods.

The Plan's investment policy contains specific performance objectives for the Plan and for the investment manager. The primary objective is to outperform a benchmark portfolio over moving four-year periods. The benchmark portfolio includes several key market indices such as the S&P/TSX Composite, the S&P 500 Hedged, MSCI EAFE, the DEX Universe Bond Index, the Investment Property Databank, the DEX Mortgage and 91-day T-Bills. A second objective is to equal or exceed market returns over moving four-year periods. A third objective, as previously mentioned, is to achieve a minimum real rate of return of 3.50%; that is, the Canadian Consumer Price Index plus 3.50% over moving four-year periods.

(ii) Credit risk:

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

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(in thousands of dollars)

4. Investments – continued:

Exposure to bond sectors (credit risk):

		2016		2015
Pooled fixed income funds	$	88,025	$	90,198

(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, 2016, the Plan's foreign currency exposure was $139,970 (2015 - $135,207).

		2016		2015
U.S. dollar	$	64,811	$	59,530
Euro		14,333		20,098
Japanese yen		14,092		15,513
British pound		12,245		8,527
Swiss franc		4,083		6,531
Hong Kong dollar		2,710		2,332
Other		27,696		22,676
	$	139,970	$	135,207

(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.

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(in thousands of dollars)

4. Investments – continued:

At December 31, 2016, the Plan's interest-bearing financial instruments totaled $90,269 (2015 – $95,980).

	2016	2015
Cash and short term investments	$ 2,244	$ 5,782
Bonds and debentures	88,025	90,198
	$ 90,269	$ 95,980

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:

	2016	2015
Bona Vista bonds	7.59%	7.37%
State Street Global Advisors bonds	7.40%	7.50%
Short term investments	0.25%	0.25%
Weighted average of bonds	7.48%	7.44%
Weighted average including short term investments	7.30%	7.01%

The Plan holds approximately 28.0% (2015 – 30.6%) of its investments in fixed income securities, 60.9% (2015 – 58.7%) in equities and 11.1% (2015 – 10.7%) in alternatives at December 31, 2016.

(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 $196,052 at December 31, 2016 (2015 - $183,967).

(vi) Liquidity risk:

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

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(in thousands of dollars)

4. Investments – continued:

As at December 31, 2016, the Plan has other liabilities of $1,564 (2015 - $1,214). Other liabilities relate to accounts payable and accrued liabilities and bank indebtness and will generally be settled within 90 days of the year end.

As at December 31, 2016, the Plan held cash and money market instruments totaling $2,244 (2015 - $5,782) 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, 2016
Money market investments	$ -	$ 1,789	$ -	$ 1,789
Real estate	-	-	35,138	35,138
Bonds and debentures	-	88,025	-	88,025
Equities and pooled funds	19,615	176,437	-	196,052
Mortgages	-	-	601	601
	$ 19,615	$ 266,251	$ 35,739	$ 321,605

	Level 1	Level 2	Level 3	Balance as at December 31, 2015
Money market investments	$ -	$ 4,672	$ -	$ 4,672
Real estate	-	-	32,621	32,621
Bonds and debentures	-	90,198	-	90,198
Equities and pooled funds	23,375	160,592	-	183,967
Mortgages	-	-	940	940
	$ 23,375	$ 255,462	$ 33,561	$ 312,398

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

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(in thousands of dollars)

4. Investments – continued:

The following table reconciles the Plan's Level 3 fair value measurements from December 31, 2015 to December 31, 2016:

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

5. Pension obligations:

An actuarial valuation was prepared as of December 31, 2015 by AON Hewitt, a firm of consulting actuaries. The pension obligations reflected in the Statement of Changes in Pension Obligations as at December 31, 2016 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:

	2016	2015
Expected return on plan assets	6.00%	6.60%
Inflation rate	2.25%	2.50%
Rate of compensation increase (including inflation component)	3.25%	3.50%
Discount rate per annum for all members	6.00%	6.60%
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 $23,660 (2015 – 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 2016, experience gains were $7,260 (2015 – nil).

The deficiency of net assets available for benefits relative to the pension obligations results in the Plan being in a deficit position of $3,072 as at December 31, 2016 (2015 – surplus position of $9,207).

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(in thousands of dollars)

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6. Funding policy:

In accordance with the Plan Agreement, members are required to contribute 9.0% of their salary. The Board of Police Commissioners' funding policy is to make monthly contributions to the Plan in amounts which match the member’s contributions, with the exception of some buybacks exercised by the member for which the Board of Police Commissioners has no obligation to contribute.

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.

The most recent actuarial valuation for funding purposes was prepared by AON Hewitt as of December 31, 2015 and a copy of the valuation was filed with the Financial and Consumer Affairs Authority of Saskatchewan. This valuation disclosed a going concern unfunded liability of $36,132. Commencing on January 1, 2017, the Board of Police Commissioners will be required to make minimum contributions to the Plan of 2.6% of pensionable earnings to fund the deficit. These contributions are required to be made until the next funding recommendation is certified. The effective date of the next actuarial valuation is expected to be December 31, 2018.

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

7. Administration expenses:

	2016	2015
Actuarial fee	$ 147	$ 288
Administrative expenses	48	105
Custodial fees	42	25
Bank interest	34	33
Total administration expenses	$ 271	$ 451

DRAFT Financial Statements of

THE SASKATOON POLICE PENSION PLAN

Year ended December 31, 2016

THE SASKATOON POLICE PENSION PLAN

Statement of Financial Position
(in thousands of dollars)

As at December 31, 2016

		2016
Assets		
Investments (note 4)	$	9,176
Contributions receivable:		
Employee		464
Employer		809
GST recoverable		5
		10,454
Liabilities		
Accounts payable and accrued liabilities	$	239
Bank indebtedness		509
		748
Net assets available for benefits		9,706
Pension obligations (note 5)		8,617
Surplus	$	1,089

See accompanying notes to financial statements.

Approved by:

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THE SASKATOON POLICE PENSION PLAN

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

Year ended December 31, 2016

		2016
Investment income:		
Interest income	$	96
Dividends and distributions		36
		132
Change in fair value:		
Net realized gain on sale of investments		19
Change in net unrealized gains on investments		388
		407
Contributions:		
Employee		4,980
Employer		4,980
Transfer from other plans		-
		9,960
Increase in net assets before expenses and benefits		10,499
Expenses:		
Investment management fees		11
Administration (note 7)		561
		572
Refunds and transfers:		
Termination benefits		221
Total expenses, payments and transfers		793
Increase in net assets		9,706
Net assets available for benefits, beginning of year		-
Net assets available for benefits, end of year	$	9,706

See accompanying notes to financial statements.

THE SASKATOON POLICE PENSION PLAN

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

Year ended December 31, 2016

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

See accompanying notes to financial statements.

1. Description of the plan:

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

a) General:

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

b) Funding policy:

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

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

c) Service pensions:

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

d) Disability provisions:

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

e) Death benefits:

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

1. Description of the plan – continued:

f) Survivors' pensions:

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

If the member has a spouse on the date of retirement the normal form of pension is a monthly payment payable to the member for the member's lifetime with 66 ⅔% of the pension otherwise payable continuing to the surviving spouse upon the member's death. In any event, payments to the member and spouse are guaranteed to be made for at least 60 months. This normal form of pension for a member with a spouse shall be actuarially equivalent to the normal form of pension paid to a single member.

g) Termination benefits:

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

f) Income taxes:

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

2. Significant accounting policies:

(a) Basis of presentation:

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

2. Significant accounting policies – continued:

(b) Valuation of investment assets:

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

Fair value hierarchy

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

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

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

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

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

(c) Trade date accounting:

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

2. Significant accounting policies – continued:

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

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

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

(e) Transaction costs:

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

(f) Foreign exchange:

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

(g) Contributions:

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

(h) Benefits:

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

2. Significant accounting policies – continued:

(i) Pension obligations:

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

(j) Use of estimates:

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

3. Future accounting changes:

IFRS 9, *Financial Instruments* (IFRS 9)

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

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

4. Investments:

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

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

a) Money market investments:

		2016
Canadian short-term investments	$	142

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

b) Bonds and debentures

		2016
Pooled fixed income funds	$	3,311

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

c) Equities and pooled funds

		2016
Canadian pooled equity funds	$	2,268
Foreign pooled equity funds		3,455
Total equities and pooled funds	$	5,723

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

4. Investments – continued:

d) Financial risk management:

i) Risk policy:

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

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

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

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.

4. Investments – continued:

(ii) Credit risk:

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

Exposure to bond sectors (credit risk):

		2016
Pooled fixed income funds	$	3,311

(iii) Foreign currency risk:

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

(in thousands of dollars)

4. Investments – continued:

At December 31, 2016, the Plan's foreign currency exposure was $3,525.

		2016
U.S. dollar	$	1,756
Euro		444
Japanese yen		385
British pound		377
Swiss franc		160
Hong Kong dollar		79
Other		324
	$	3,525

(iv) Interest rate risk:

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

At December 31, 2016, the Plan’s interest-bearing financial instruments totaled $3,453.

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

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

(in thousands of dollars)

4. Investments – continued:

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

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

The Plan holds approximately 37.6% of its investments in fixed income securities, and 62.4% in equities at December 31, 2016.

(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 $5,723 at December 31, 2016.

(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, 2016, the Plan has other liabilities of $748. Other liabilities relate to accounts payable and accrued liabilities and bank indebtedness and will generally be settled within 90 days of the year end.

As at December 31, 2016, the Plan held cash and money market instruments totaling $142 which are readily available to settle such obligations.

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

(in thousands of dollars)

4. Investments – continued:

(vii) Fair value hierarchy:

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

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

5. Pension obligations:

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

	2016
Expected return on plan assets	6.25%
Inflation rate	2.25%
Rate of compensation increase (including inflation component)	3.25%
Discount rate per annum for all members	6.25%
Average remaining service period of active employees	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 $1,089 as at December 31, 2016

(in thousands of dollars)

6. Funding policy:

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

The most recent actuarial valuation for funding purposes was prepared by AON Hewitt as of January 1, 2016 and a copy of this valuation was filed with the Financial and Consumer Affairs Authority of Saskatchewan. This valuation disclosed that the current fixed contribution rate of 18% is sufficient to meet the Plan's funding needs, including margin, on a going concern basis. The effective date of the next actuarial valuation is expected to be December 31, 2018.

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

7. Administration expenses:

		2016
Actuarial fees	$	463
Administrative expenses		66
Custodial fees		17
Bank interest		15
	$	561