CITY OF SASKATOON
GENERAL SUPERANNUATION PLAN

FINANCIAL STATEMENTS

December 31, 2012

Deloitte LLP
122 1st Ave. S.
Suite 400, PCS Tower
Saskatoon SK S7K 7E5
Canada

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the City of Saskatoon General Superannuation Plan, which comprise the statement of financial position as at December 31, 2012, and the statement of changes in net assets available for benefits and the statement of changes in pension obligations for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the City of Saskatoon General Superannuation Plan as at December 31, 2012, and the changes in its net assets available for benefits and the changes in pension obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

Deloitte LLP

Chartered Accountants
Saskatoon, Saskatchewan
June 26, 2013

City of Saskatoon
General Superannuation Plan
Statement of Financial Position
As at December 31

(in thousands of dollars)	2012	2011
ASSETS		
Accounts Receivable		
Sponsor's contributions	1,087	1,039
Investment income	890	933
Unsettled investment sales	173	-
Other	19	35
	2,169	2,007
Investments (note 3)	553,851	504,056
Total Assets	556,020	506,063
LIABILITIES		
Bank Indebtedness	798	739
Accounts Payable	205	344
Total Liabilities	1,003	1,083
NET ASSETS AVAILABLE FOR BENEFITS	555,017	504,980
PENSION OBLIGATIONS (note 5)	569,886	570,845
DEFICIT (note 5)	(14,869)	(65,865)

See accompanying notes

APPROVED BY THE TRUSTEES

....

....

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)	2012	2011
INCREASE IN ASSETS		
Investment Income (note 3)	20,078	17,630
Current period change in fair value of investments (note 3)	37,608	(5,782)
	57,686	11,849
CONTRIBUTIONS (note 6)		
Employee Contributions - current and past service	11,782	11,240
Transfers From Other Plans	605	529
City of Saskatoon (note 8)	11,506	11,024
	23,893	22,793
	81,579	34,642
DECREASES IN ASSETS		
Benefits Paid:		
Retirement Benefits Paid	24,617	22,475
Death Benefits Paid	841	202
Refunds and Transfers:		
Refund of Contributions	1,426	872
Transfers To Other Plans	2,855	2,255
Administration Expenses (note 7)	1,803	1,674
	31,542	27,478
INCREASE IN ASSETS AVAILABLE FOR BENEFITS	50,037	7,164
NETS ASSETS AVAILABLE FOR BENEFITS - BEGINNING OF YEAR	504,980	497,816
NETS ASSETS AVAILABLE FOR BENEFITS - END OF YEAR	555,017	504,980

See accompanying notes

City of Saskatoon
General Superannuation Plan
Statement of Changes in Pension Obligations
For the Year Ended December 31

(in thousands of dollars)	2012	2011
INCREASES IN PENSION OBLIGATIONS		
Interest accrued on pension obligations	38,366	35,795
Accrued pension benefits	24,221	23,150
Experience losses	-	3,733
Change in actuarial assumptions	-	1,988
	62,587	64,666
DECREASES IN PENSION OBLIGATIONS		
Benefit payments	29,134	25,092
Change in actuarial assumptions	28,932	-
Experience gains	5,480	-
	63,546	25,092
NET (DECREASE) INCREASE IN PENSION OBLIGATIONS	(959)	39,574
PENSION OBLIGATIONS - BEGINNING OF YEAR	570,845	531,271
PENSION OBLIGATIONS - END OF YEAR	569,886	570,845

See accompanying notes

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.

(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 5).

(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 highest 48 consecutive months earnings period and adjusted for Canada Pension Plan benefits for certain periods of past and future service.

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

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

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

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

1. DESCRIPTION OF THE PLAN (continued)

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation
These financial statements are prepared in accordance with Canadian accounting standards for pension plans. 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.

(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 3(d)(vii) for this disclosure.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Interest and dividends on investments and changes in fair values of investments

Interest and dividends from investments in money market instruments, bonds, equities, pooled funds and mortgages 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 values 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 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 values of investments in the Statement of Changes in Net Assets Available for Benefits.

(g) Contributions

Contributions due to the Plan are recorded on an accrual basis. Transfers to the Plan and purchases of prior service 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. The administrator elected to use the obligations from the funding report, which is valued on an attained age basis. The differences between the financial statement deficit resulting from this accounting valuation and the regulatory deficit resulting from the triennial valuation for funding purposes is explained in Note 5.

(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 obligation, the fair value of investment assets and investment liabilities. Actual results could differ from those presented.

(in thousands of dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Future accounting changes

The following accounting standard has been issued, but is not yet effective. Management of the Plan have not yet determined the effect of this standard on the financial statements of the Plan.

IFRS 13, Fair Value Measurement

The Plan is required to adopt IFRS 13, *Fair Value Measurement*, for fiscal years beginning on or after January 1, 2013 for the measurement of its investment assets and investment liabilities. IFRS 13 is a comprehensive standard on how to measure fair values. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement requires an entity to determine the following; (1) the particular asset or liability being measured; (2) for a non-financial asset, the highest and best use of the asset and whether the asset is used in combination with other assets or on a standalone basis; (3) the market in which an orderly transaction would take place for the asset or liability; (4) and the appropriate valuation technique(s) to use when measuring fair value. The technique(s) should maximize the use of relevant observable inputs and minimize unobservable inputs. Those inputs should be consistent with the inputs a market participant would use when pricing the asset or liability, and the entity is to disclose those valuation techniques and inputs used to develop the fair value measurements.

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 Fund 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 bond 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	25	30	35
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, 2012				
	Fair Value	Cost	Current-year change in fair value	Investment Income	Total return
Cash	$ 402	$ 402	$ -	$ -	$ -
Short-term investments	2,056	2,056	-	34	34
	2,458	2,458	-	34	34
Fixed income investments	158,070	149,563	(277)	5,905	5,628
Equities:					
Canadian equities	113,368	88,462	11,618	3,258	14,876
U.S equities	111,776	102,572	9,583	5,468	15,051
Non-North American equities	103,241	123,154	12,455	3,081	15,536
	328,385	314,187	33,656	11,807	45,462
Real Estate Pooled Funds	52,705	50,672	3,005	2,107	5,112
Private Equity Pooled Funds	12,233	11,146	814	226	1,040
	$ 553,851	$ 528,027	$ 37,608	$ 20,078	$ 57,686

	As at and for the year ended December 31, 2011				
	Fair Value	Cost	Current-year change in fair value	Investment Income	Total return
Cash	$ 420	$ 420	$ -	$ -	$ -
Short-term investments	537	537	-	4	4
	957	957	-	4	4
Fixed income investments	162,312	149,348	7,010	7,321	14,331
Equities:					
Canadian equities	101,483	85,823	(10,474)	3,019	(7,455)
U.S equities	98,470	94,446	2,817	1,202	4,019
Non-North American equities	84,372	116,936	(8,933)	3,018	(5,915)
	284,325	297,204	(16,590)	7,239	(9,351)
Real Estate Pooled Funds	47,776	48,748	2,672	3,066	5,739
Private Equity Pooled Funds	8,686	8,718	1,126	-	1,126
	$ 504,056	$ 504,975	$ (5,782)	$ 17,630	$ 11,849

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

3. INVESTMENTS (continued)

The fair value of bonds and debentures 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.

Common 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 listed 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 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 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.

Credit risk exposure to bond sectors:	2012		2011	
	$	%	$	%
Federal bonds & guarantees	64,133	40.6%	70,801	43.7%
Provincial bonds & guarantees	44,415	28.1%	45,489	28.0%
Municipal bonds	3,121	2.0%	2,804	1.7%
Corporate bonds	46,401	29.3%	43,218	26.6%
	158,070	100.0%	162,312	100.0%
Credit Rating				
AAA	73,313	46.4%	79,955	49.3%
AA	35,613	22.5%	37,656	23.2%
A	37,210	23.5%	33,647	20.7%
BBB	11,934	7.6%	11,053	6.8%
	158,070	100.0%	162,312	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 differences in 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 28.5% (2011 – 32.2%) of its assets in investments that bear fixed rates of interest. This investment is held in a pooled bond fund. The table below illustrates the potential impact on the Plan's net assets if the nominal interest rates changed by 1% (100 basis-points):

	December 31	
	2012	2011
Average bond duration:	6.94	6.74
Bond Fund Value	$ 158,070	$ 162,312
1% increase in rate	(10,970)	(10,940)
1% decrease in rate	10,970	10,940

(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:

	2012	2011
Foreign Currency	Exposure in CAD	
U.S. Dollars	$ 73,383	$ 63,200
Euros	43,982	33,431
Pounds Sterling	23,388	20,412
Japanese Yen	8,310	7,751
Swiss Franc	6,738	5,603
Other	16,402	12,139
	$ 172,203	$ 142,536

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:

	December 31	
	2012	2011
Foreign Currency	Exposure in CAD	
U.S. Dollars	$ +/- 734	$ +/- 632
Euros	440	334
Pounds Sterling	234	204
Japanese Yen	83	78
Swiss Franc	67	56
	$ +/- 1,558	$ +/- 1,304

(v) Equity Price Risk

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

(in thousands of dollars)

4. INVESTMENT RISK (continued)

(v) Equity Price Risk *(continued)*
The investment portfolio is directly exposed to equity price risk in respect of its publicly traded equities which total $328,385 at December 31, 2012 (2011 - $284,325). A 1% increase or decrease in the market price of the Plan's publicly traded equities portfolio would impact the fair value of investments as follows:

	December 31			
	2012		2011	
Public Equity Market	Increase	Decrease	Increase	Decrease
Canadian	$ 1,134	$ (1,134)	$ 1,015	$ (1,015)
U.S.	1,118	(1,118)	985	(985)
Non-North American	1,032	(1,032)	844	(844)
	$ 3,284	$ (3,284)	$ 2,844	$ (2,844)

(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, 2012, the Plan has total financial liabilities of $1,003 (2011 - $1,083). Total financial liabilities consist of accounts payable and bank indebtedness that will generally be settled within 90 days of the year end; and holdbacks from pensions that have been transferred from the Plan, that will be paid within five years.

As at December 31, 2012, the Plan held cash and short-term investments totalling $2,458 (2011 – $957) 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, 2012*
Equities	$ 166,361	$ 162,024	$ 64,938	$ 393,323
Bonds and Debentures	-	158,070	-	158,070
Cash and Short-term Investments	671	1,787	-	2,458
	$ 167,032	**$ 321,881**	**$ 64,938**	**$ 553,851**

	Level 1	Level 2	Level 3	*Balance as at December 31, 2011*
Equities	$ 147,607	136,717	$56,463	$340,787
Bonds and Debentures	-	162,312	-	162,312
Cash and Short-term Investments	420	537	-	957
	$ 148,027	$ 299,566	$ 56,463	$504,056

There were no significant transfers of investments between Level 1 and Level 2 during 2012 or 2011.

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

	2012	2011
Fair Value, Beginning of Year	$ 56,462	$ 48,416
Transfers into (out of) level 3	2,321	2,130
Investment income, net of fees	1,925	2,300
Current-year change in fair value	4,229	3,616
Fair Value, End of Year	$ 64,938	$ 56,462

(in thousands of dollars)

5. PENSION OBLIGATIONS

An actuarial valuation was prepared as of December 31, 2012 by AON Hewitt, a firm of consulting actuaries.

The Statement of Changes in Pension Obligation displays the actuarial present value of benefits as at December 31, 2012. 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:

	December 31	
	2012	2011
Asset rate of return	7.00%	7.10%
Discount rate	7.00%	6.75%
Salary escalation rate	3.5% + merit	3.25% + merit
Inflation rate	2.50%	3.25%
Plan Membership		
Active members	2,483	2,436
Retired members	987	938
Surviving beneficiaries	203	195
Deferred members	29	30
Inactive members	331	282

Changes in actuarial assumptions between 2011 and 2012, and in particular the increase in the discount rate, resulted in a decrease in the pension obligation of $959 (2011 – $1,988 increase).

Experience gains and losses represent the change in pension obligations due to the difference between actual economic and demographic experience and expected experience. During 2012, experience gains were $5,480 (2011 – losses of $3,733). Experience gains resulted from a lower salary escalation rate than assumed.

The deficiency of net assets available for benefits relative to the pension obligation results in the Plan being in a deficit position of $14,869 as at December 31, 2012 (2011 – deficit of $65,865).

(in thousands of dollars)

5. PENSION OBLIGATIONS (continued)

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:

	December 31	
	2012	2011
	$	$
Pension Obligations	569,886	570,845
0.50% increase in rate	(34,002)	(34,430)
0.50% decrease in rate	37,766	38,242

6. FUNDING POLICY

In accordance with the Plan Agreement, employees are required to contribute 7.5% of earnings up to the Year's Maximum Pensionable Earnings (“YMPE”) and 9.1% of earnings above the YMPE. The City of Saskatoon is required to provide the balance of the funding, based on annual actuarial valuations, necessary to ensure that benefits will be fully provided for the Plan’s members at retirement. The City of Saskatoon funding policy is to make monthly contributions to the Plan in amounts which match the employees' contributions, with the exception of some buybacks exercised by the employee for which the City of Saskatoon has no obligation to contribute.

The most recent actuarial valuation for funding purposes was prepared by AON Hewitt as of December 31, 2012 and a copy of this valuation will be filed with Saskatchewan Financial Services Commission (Pensions Division) in 2013. These amounts should be considered when evaluating the sufficiency of Net Assets Available for Benefits.

The Pension Benefits Act, 1992 (Saskatchewan) requires that an actuarial certificate be filed with Saskatchewan Financial Services Commission (Pensions Division) at least every three years, or earlier if the plan is significantly amended.

(in thousands of dollars)

7. ADMINISTRATIVE EXPENSES

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

	2012	2011
Investment management fees	$ 1,426	$ 1,426
Pension administration	136	131
Actuarial fees	55	54
Other administration	186	63
	$ 1,803	$ 1,674

8. 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:

	2012	2011
Plan Sponsor's contributions	$11,506	$11,024
Administration expenses	141	136
Receivable from Plan Sponsor	1,087	1,039