

**CITY OF SASKATOON  
GENERAL SUPERANNUATION PLAN  
FINANCIAL STATEMENTS  
*December 31, 2013***

DRAFT

## 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, 2013, 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, 2013, 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.

Chartered Accountants  
Saskatoon, Saskatchewan  
June 4, 2014

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

<b>(in thousands of dollars)</b>	<b>2013</b>	<b>2012</b>
<b>ASSETS</b>		
<b>Accounts Receivable</b>		
Plan Sponsor	1,522	1,087
Investment income	833	890
Unsettled investment sales	-	173
Other	23	18
	<u>2,378</u>	<u>2,169</u>
<b>Investments (note 3)</b>	<u>654,031</u>	<u>553,851</u>
	<u>656,409</u>	<u>556,020</u>
<b>LIABILITIES</b>		
Bank overdraft	1,251	798
Accounts Payable	224	205
	<u>1,475</u>	<u>1,003</u>
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>	654,934	555,017
<b>PENSION OBLIGATIONS (note 5)</b>	<u>600,866</u>	<u>569,886</u>
<b>PENSION SURPLUS (DEFICIT)</b>	<u>54,068</u>	<u>(14,869)</u>

See accompanying notes to the financial statements.

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

<b>(in thousands of dollars)</b>	<b>2013</b>	<b>2012</b>
<b>INCREASE IN ASSETS</b>		
Investment Income	18,029	20,078
Gain in Fair Value of Investments	90,985	37,608
	<u>109,014</u>	<u>57,686</u>
Employee Contributions - current and past service	12,341	11,781
Transfers From Other Plans	960	605
Employer Contributions	11,969	11,506
	<u>25,270</u>	<u>23,893</u>
	<u>134,284</u>	<u>81,579</u>
<b>DECREASE IN ASSETS</b>		
Retirement Benefits Paid	27,578	24,617
Refund of Contributions	1,103	1,426
Death Benefits Paid	362	841
Transfers To Other Plans	3,163	2,855
Administration Expenses (note 7)	2,161	1,803
	<u>34,367</u>	<u>31,542</u>
<b>INCREASE IN ASSETS AVAILABLE FOR BENEFITS</b>	99,917	50,037
<b>NET ASSETS AVAILABLE FOR BENEFITS - BEGINNING OF YEAR</b>	<u>555,017</u>	<u>504,980</u>
<b>NET ASSETS AVAILABLE FOR BENEFITS - END OF YEAR</b>	<u>654,934</u>	<u>555,017</u>

See accompanying notes to the financial statements.

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

<b>(in thousands of dollars)</b>	<b>2013</b>	<b>2012</b>
<b>INCREASE IN PENSION OBLIGATIONS</b>		
Interest accrued on benefits	39,591	38,366
Accrued pension benefits	<u>22,635</u>	<u>24,221</u>
	<u>62,226</u>	<u>62,587</u>
<b>DECREASE IN PENSION OBLIGATIONS</b>		
Benefit payments	31,246	29,134
Change in actuarial assumptions	-	28,932
Experience gains	-	5,480
	<u>31,246</u>	<u>63,546</u>
<b>NET INCREASE (DECREASE) IN PENSION OBLIGATIONS</b>	30,980	(959)
<b>PENSION OBLIGATIONS - BEGINNING OF YEAR</b>	<u>569,886</u>	<u>570,845</u>
<b>PENSION OBLIGATIONS - END OF YEAR</b>	<u>600,866</u>	<u>569,886</u>

See accompanying notes to the financial statements.

**CITY OF SASKATOON  
GENERAL SUPERANNUATION PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(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 5). The Funding Policy is described in note 6.

(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 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.

**CITY OF SASKATOON  
GENERAL SUPERANNUATION PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(in thousands of dollars)**

**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 4(vii) for this disclosure.

(c) Trade date accounting

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

**CITY OF SASKATOON  
GENERAL SUPERANNUATION PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(in thousands of dollars)**

**2. SUMMARY OF 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, 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 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 5.



**CITY OF SASKATOON  
GENERAL SUPERANNUATION PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(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 obligation, the fair value of investment assets and investment liabilities. Actual results could differ from those presented.

(k) Accounting Policy Changes

The Plan adopted IFRS 13, Fair Value Measurement, on a prospective basis effective January 1, 2013. IFRS 13 is a comprehensive standard on how to measure fair values. The measurement requirements under IFRS 13 were applied consistently to the fair value of all investment assets and had no impact on the fair values of the investment assets.

(l) Future Accounting Changes

IAS 32, Financial Instruments: Presentation

In December, 2011, the IASB issued amendments to IAS 32. The amendment is effective for periods beginning on or after January 1, 2014 and is to be applied retrospectively. The amendment clarifies matters regarding offsetting financial assets and financial liabilities as well as related disclosure requirements. The Plan intends to adopt the amendments to IAS 32 in its financial statements for the annual reporting period beginning January 1, 2014 and does not expect the amendments to have a material impact on the financial statements.

**CITY OF SASKATOON  
GENERAL SUPERANNUATION PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(in thousands of dollars)**

**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 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 %
<b>Equities</b>			
Canadian equities	15	20	27
U.S. equities	12	17.5	25
Non-North American equities	<u>12</u>	<u>17.5</u>	<u>25</u>
Total Equities	45	55	65
<b>Private Equities</b>	0	5	10
<b>Real Estate</b>	8	10	15
<b>Fixed Income</b>			
Canadian Bonds	25	30	35
Short-term investments	0	<u>0</u>	10
<b>Total Fund</b>		100	

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, 2013				
	Fair Value	Cost	Current-year change in fair value	Investment Income	Total return
Cash	\$ 335	\$ 335	\$ -	\$ -	\$ -
Short-term investments	3,701	3,701	-	54	54
	<u>4,036</u>	<u>4,036</u>	-	54	54
Fixed income investments	160,640	159,738	(7,387)	5,547	(1,840)
Equities:					
Canadian equities	140,121	96,702	24,535	4,490	29,025
U.S. equities	143,662	98,605	39,503	1,975	41,478
Non-North American equities	132,988	123,498	29,473	3,293	32,766
	<u>416,771</u>	<u>318,805</u>	<u>93,511</u>	<u>9,758</u>	<u>103,269</u>
Real Estate Pooled Funds	56,494	52,797	1,664	2,411	4,075
Private Equity Pooled Funds	16,090	11,806	3,197	259	3,456
	<u>\$ 654,031</u>	<u>\$ 547,182</u>	<u>\$ 90,985</u>	<u>\$ 18,029</u>	<u>\$ 109,014</u>

**CITY OF SASKATOON  
GENERAL SUPERANNUATION PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(in thousands of dollars)**

**3. INVESTMENTS** (continued)

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
	<b>\$ 553,851</b>	<b>\$ 528,027</b>	<b>\$ 37,608</b>	<b>\$ 20,078</b>	<b>\$ 57,686</b>

Cash and money market instruments are primarily securities issued by federal and provincial governments, Canadian chartered banks, and corporations with maturities under one year.

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.

**CITY OF SASKATOON  
GENERAL SUPERANNUATION PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(in thousands of dollars)**

**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.

***(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.

**CITY OF SASKATOON  
GENERAL SUPERANNUATION PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(in thousands of dollars)**

**4. INVESTMENT RISK** (continued)  
*(ii) Credit risk (continued)*

Credit risk exposure to bond sectors:	2013		2012	
	\$	%	\$	%
Federal bonds & guarantees	60,401	37.6%	64,133	40.6%
Provincial bonds & guarantees	46,425	28.9%	44,415	28.1%
Municipal bonds	3,373	2.1%	3,121	2.0%
Corporate bonds	50,441	31.4%	46,401	29.4%
	<u>160,640</u>	<u>100.0%</u>	<u>158,070</u>	<u>100.0%</u>
<b>Credit Rating</b>				
AAA	70,891	44.1%	73,313	46.4%
AA	37,236	23.2%	35,613	22.5%
A	38,409	23.9%	37,210	23.5%
BBB	14,104	8.8%	11,934	7.6%
	<u>160,640</u>	<u>100.0%</u>	<u>158,070</u>	<u>100.0%</u>

***(iii) Interest Rate Risk***

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's cash flows and financial position. This risk is the differences arising from 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 24.5% (2012 – 28.5%) 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	
	2013	2012
Average bond duration:	6.71	6.94
Bond Fund Value	\$ 160,640	\$ 158,070
1% increase in rate	(10,779)	(10,970)
1% decrease in rate	10,779	10,970

**CITY OF SASKATOON  
GENERAL SUPERANNUATION PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(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	December 31	
	2013	2012
	Exposure in CAD	
U.S. Dollars	\$ 93,830	\$ 73,383
Euros	59,518	43,982
Pounds Sterling	27,218	23,388
Japanese Yen	13,199	8,310
Swiss Franc	7,426	6,738
Other	20,382	16,402
	<u>\$ 221,573</u>	<u>\$ 172,203</u>

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

Foreign Currency	December 31	
	2013	2012
	Exposure in CAD	
U.S. Dollars	\$ +/- 939	\$ +/- 734
Euros	595	440
Pounds Sterling	272	234
Japanese Yen	132	83
Swiss Franc	74	67
	<u>\$ +/- 2,012</u>	<u>\$ +/- 1,558</u>

***(v) Equity Price Risk***

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

**CITY OF SASKATOON  
GENERAL SUPERANNUATION PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(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 \$416,771 at December 31, 2013 (2012 - \$328,385). 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			
	2013		2012	
Public Equity Market	Increase	Decrease	Increase	Decrease
Canadian	\$ 1,401	\$ (1,401)	\$ 1,134	\$ (1,134)
U.S.	1,437	(1,437)	1,118	(1,118)
Non-North American	1,330	(1,330)	1,032	(1,032)
	<b>\$ 4,168</b>	<b>\$ (4,168)</b>	<b>\$ 3,284</b>	<b>\$ (3,284)</b>

**(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, 2013, the Plan has total financial liabilities of \$1,475 (2012 - \$1,003) consisting of accounts payable and bank indebtedness that will generally be settled within 90 days of the year end.

As at December 31, 2013, the Plan held cash and money market instruments totalling \$4,036 (2012 - \$2,458) which are readily available to settle such obligations. Other of the Plan's assets are traded in active markets and can be easily converted to cash to cover such obligations.

**CITY OF SASKATOON  
GENERAL SUPERANNUATION PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(in thousands of dollars)**

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

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<i>Balance as at December 31, 2013</i>
<b>Equities</b>	\$ 209,242	\$ 207,529	\$ 72,584	\$ 489,355
<b>Bonds and Debentures</b>	-	160,640	-	160,640
<b>Cash and Money Market Instruments</b>	2,787	1,249	-	4,036
	<b>\$ 212,029</b>	<b>\$ 369,418</b>	<b>\$ 72,584</b>	<b>\$ 654,031</b>

  

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<i>Balance as at December 31, 2012</i>
<b>Equities</b>	\$ 166,361	\$ 162,024	\$ 64,938	\$ 393,323
<b>Bonds and Debentures</b>	-	158,070	-	158,070
<b>Cash and Money Market Instruments</b>	671	1,787	-	2,458
	<b>\$ 167,032</b>	<b>\$ 321,881</b>	<b>\$ 64,938</b>	<b>\$ 553,851</b>

There were no significant transfers of investments between Level 1 and Level 2 during 2013 or 2012.

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

	<b>2013</b>	<b>2012</b>
Fair Value, Beginning of Year	\$ 64,938	\$ 56,462
Transfers into (out of) level 3	569	2,321
Investment income, net of fees	2,215	1,925
Current-year change in fair value	4,862	4,229
Fair Value, End of Year	<b>\$ 72,584</b>	<b>\$ 64,938</b>



**CITY OF SASKATOON  
GENERAL SUPERANNUATION PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(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 present value of accrued pension benefits was then extrapolated to December 31, 2013 using management's best estimates and assumptions.

The Statement of Changes in Pension Obligation displays the actuarial present value of benefits as at December 31, 2013. 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	
	2013	2012
Asset rate of return	7.00%	7.00%
Discount rate	7.00%	7.00%
Salary escalation rate	3.5% + merit	3.5% + merit
Inflation rate	2.50%	2.50%
 Plan Membership		
Active members	2,534	2,483
Retired members	1,043	987
Surviving beneficiaries	206	203
Deferred members	24	29
Inactive members	324	331

There were no changes in actuarial assumptions between 2012 and 2013. 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.

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. No data is available to calculate experience gains or losses for the 2013 year.

**CITY OF SASKATOON  
GENERAL SUPERANNUATION PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(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	
	2013	2012
Pension Obligations	\$ 600,866	\$ 569,886
0.50% increase in rate	(35,915)	(34,002)
0.50% decrease in rate	39,965	37,766

**6. 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, 2012 and a copy of this valuation was filed in 2013. 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 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 Legislation. Members may also make certain voluntary contributions and exercise pension buybacks for which the Sponsor has no obligation to match. For the 2013 and 2012 fiscal years and subsequent years the following contribution rates have been recommended:

	Year	Salary below the YMPE *	Salary above the YMPE *
Member contribution rate	2012	7.5%	9.1%
	2013	7.5%	9.1%
	2014	7.8%	9.4%
	2015	8.1%	9.7%
	2016	8.4%	10.0%

\* The year's maximum pensionable earnings (YMPE) were \$51,100 in 2013 and \$50,100 in 2012.

For 2015 and subsequent years there are additional provisions for 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.

**CITY OF SASKATOON  
GENERAL SUPERANNUATION PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(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.

	2013	2012
Investment management fees	\$ 1,706	\$ 1,426
Pension administration	140	136
Actuarial fees	101	55
Other administration	214	186
	<b>\$ 2,161</b>	<b>\$ 1,803</b>

**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:

	2013	2012
Plan Sponsor's contributions	\$ 11,969	\$ 11,506
Administration expenses	149	141
Receivable from Plan Sponsor	1,522	1,087