

***CITY OF SASKATOON  
POLICE SUPERANNUATION PLAN***

***FINANCIAL STATEMENTS***

***December 31, 2012***

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the City of Saskatoon Police Superannuation Plan, which comprise the statement of financial position as at December 31, 2012, and the statements of changes in net assets available for benefits and changes in pension obligation 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 Police Superannuation Plan as at December 31, 2012, and the changes in its net assets available for benefits and changes in its pension obligation for the year then ended in accordance with Canadian accounting standards for pension plans.

**City of Saskatoon**  
**Police Superannuation Plan**  
**Statement of Financial Position**  
As at December 31, 2012  
(in thousands of dollars)

	2012	2011
<b>ASSETS</b>		
Cash	\$ 247	\$ 789
Investments (Note 3)		
Money Market Investments	4,762	5,704
Real Estate	19,440	13,467
Bonds	81,382	82,259
Equities	141,279	128,373
Mortgages	1,829	2,065
	<u>248,692</u>	<u>231,868</u>
Receivables		
City of Saskatoon	17	285
Accrued Interest and Dividends	280	264
	<u>297</u>	<u>549</u>
Prepaid Expenses	<u>2</u>	<u>5</u>
<b>TOTAL ASSETS</b>	<u><b>249,238</b></u>	<u>233,211</u>
<b>LIABILITIES</b>		
Accounts Payable	229	234
Bank Indebtedness	<u>533</u>	<u>1,192</u>
<b>TOTAL LIABILITIES</b>	<u><b>762</b></u>	<u>1,426</u>
<b>NET ASSETS AVAILABLE FOR BENEFITS (Note 5)</b>	<u><b>\$ 248,476</b></u>	<u>\$ 231,785</u>
<b>PENSION OBLIGATION (Notes 4 &amp; 5)</b>	<u><b>269,362</b></u>	<u>259,705</u>
<b>DEFICIT (Note 4)</b>	<u><b>\$ (20,886)</b></u>	<u>\$ (27,920)</u>

See accompanying notes to the financial statements

**City of Saskatoon**  
**Police Superannuation Plan**  
**Statement of Changes in Net Assets Available for Benefits**  
For the Year Ended December 31, 2012  
(in thousands of dollars)

	2012	2011
<b>NET ASSETS AVAILABLE FOR BENEFITS AT BEGINNING OF YEAR</b>	\$ 231,785	\$ 235,329
<b>INCREASE IN ASSETS</b>		
Investment Income		
Interest	3,492	4,803
Dividends	5,465	2,632
	<u>8,957</u>	<u>7,435</u>
Current Period Change in Fair Values of Investments (Note 6)	14,906	-
Contributions (Note 5)		
Employees	3,795	3,227
City of Saskatoon	3,795	3,227
Transfers from Other Plans	577	82
	<u>8,167</u>	<u>6,536</u>
Total Increase in Assets	<u>32,030</u>	<u>13,971</u>
<b>DECREASE IN ASSETS</b>		
Current Period Change in Fair Values of Investments (Note 6)	-	2,949
Investment Management Expenses	852	840
Administrative Expenses (Note 7)	290	177
Pension Benefits Paid	13,275	12,443
Refunds and Transfers		
Refunds of Contributions	97	73
Death Benefit	52	-
Transfers to Other Plans	773	1,033
	<u>922</u>	<u>1,106</u>
Total Decrease in Assets	<u>15,339</u>	<u>17,515</u>
<b>INCREASE (DECREASE) IN NET ASSETS AVAILABLE FOR BENEFITS</b>	<u>16,691</u>	<u>(3,544)</u>
<b>NET ASSETS AVAILABLE FOR BENEFITS AT END OF YEAR</b>	<u>\$ 248,476</u>	<u>\$ 231,785</u>

See accompanying notes to financial statements

**City of Saskatoon**  
**Police Superannuation Plan**  
**Statement of Changes in Pension Obligation**  
For the Year Ended December 31, 2012  
(in thousands of dollars)

	2012	2011
<b>PENSION OBLIGATION, BEGINNING OF YEAR</b>	\$ 259,705	\$ 249,626
Increase in Pension Obligation		
Interest on Pension Obligation	16,702	16,032
Pension Benefits Accrued	8,127	7,514
Experience Loss (Note 4)	1,200	-
	<u>26,029</u>	<u>23,546</u>
Decrease in Pension Obligation		
Benefits Paid	(13,620)	(13,467)
Change in Actuarial Assumptions (Note 4)	(2,572)	-
	<u>(16,372)</u>	<u>(13,467)</u>
<b>PENSION OBLIGATION, END OF YEAR</b>	<u>\$ 269,362</u>	<u>\$ 259,705</u>

See accompanying notes to financial statements

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**CITY OF SASKATOON  
POLICE SUPERANNUATION PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(in thousands of dollars)**

**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 5).
- (c) **Service Pensions**

A service pension is normally available based on 2% of the 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 Provisions**

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 twenty-five 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.
- (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.

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**1. DESCRIPTION OF THE PLAN (continued)**

- (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. 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 f) vii) for this disclosure.

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- (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 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 expenses 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. 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 deficit resulting from this accounting valuation and the regulatory deficit resulting from the triennial valuation for funding purposes (see Note 1b above) is explained in Note 5.

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**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) 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**

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 and Sprucegrove Investment Management Ltd. act as the investment managers for the Plan.

Investments are stated at fair value. Therefore, the values reflected in the statement of Net Assets Available for Benefits represent the maximum market and credit exposure to the Plan at that point in time.

**a) Money Market Instruments**

	<u>2012</u>	<u>2011</u>
Canadian Short-term Investments	<u>\$ 4,762</u>	<u>\$ 5,704</u>

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

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**3. INVESTMENTS (continued)**

**b) Real Estate**

	<u>2012</u>	<u>2011</u>
Greystone Real Estate Fund Inc.	<u>\$ 19,440</u>	<u>\$ 13,467</u>

The Real Estate Fund units are valued using the total appraised value of the individual properties, the working capital at cost, and reduced by the underlying mortgages which are valued at amortized cost.

**c) Bonds & Debentures**

	<u>2012</u>	<u>2011</u>
Government & Government Guaranteed	<u>\$ 24,873</u>	\$ 17,749
Corporate	<u>10,247</u>	11,834
Pooled Fixed Income Funds	<u>46,262</u>	<u>52,676</u>
Total Bonds & Debentures	<u>\$ 81,382</u>	<u>\$ 82,259</u>

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

**d) Equities**

	<u>2012</u>	<u>2011</u>
Canadian Common Stocks	<u>\$ 28,250</u>	\$ 24,161
Canadian Pooled Equity Funds	<u>25,392</u>	26,437
International Common Stocks	<u>114</u>	102
International Equity Pooled Fund	<u>0</u>	42,931
Foreign Pooled Equity Funds	<u>87,523</u>	<u>34,742</u>
Total Equities	<u>\$ 141,279</u>	<u>\$ 128,373</u>

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 equity funds do not have a quoted price in 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**

	<u>2012</u>	<u>2011</u>
Mortgages	<u>\$ 1,829</u>	<u>\$ 2,065</u>

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.

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**3. INVESTMENTS (continued)**

**f) Risk Policy, Credit, Foreign Currency, Interest Rate, 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 the Plan 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, foreign equities and 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 moderate to moderately high risk tolerance. As a result, an investment philosophy with an equity bias has been adopted. The overall risk posture of the Plan is influenced by demographics as well as the funded position of the Plan.

The long-term investment goal of the Plan is to achieve a minimum annualized return of three and one-half percentage points in excess of the Canadian Consumer Price Index. This 3.50% 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, the S&P 500 Hedged, the MSCI EAFE, the DEX Universe Bond, 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.

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(in thousands of dollars)**

**3. INVESTMENTS (continued)**

***(ii) Credit Risk***

Credit risk arises from the potential for an investee to fail or default on its contractual obligations to the Plan. The Plan manages these risks through credit quality limits defined in the Plan's Statement of Investment Policies and 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.

Exposure To Bond Sectors (Credit Risk):

	<u>2012</u>	<u>2011</u>
Federal	\$ 12,608	\$ 10,310
Provincial	9,265	4,887
Municipal	3,000	2,552
Corporate	10,247	11,834
Pooled	46,262	52,676
Total Bonds	<u>\$ 81,382</u>	<u>\$ 82,259</u>

The Plan holds approximately 34.5% (2011 – 35.5%) of its investments in fixed income securities, 56.9% (2011 – 55.3%) in equities and 8.6% (2011 – 6.7%) in alternatives at December 31, 2012.

***(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, 2012, the Plan's foreign currency exposure was \$86,072 (2011 - \$49,924).

	<u>2012</u>	<u>2011</u>
US Dollar	\$ 41,161	\$ 15,182
Euro	11,693	8,047
Japanese Yen	7,802	6,521
British Pound	9,397	7,880
Swiss Franc	5,583	4,105
Hong Kong Dollar	1,814	1,996
Other	8,622	6,193
	<u>\$ 86,072</u>	<u>\$ 49,924</u>

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POLICE SUPERANNUATION PLAN  
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(in thousands of dollars)**

**3. INVESTMENTS (continued)**

***(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 differences arising from differences in the timing and amount of cash flows related to the Plan's assets and liabilities.

	<u>2012</u>	<u>2011</u>
Bonds Market Value ("MV")	<b>\$81,382</b>	\$82,259
Short Term Investments & Cash MV	<b>4,762</b>	6,493
Total Fixed Income Market Value	<b><u>\$86,144</u></b>	<u>\$88,752</u>

Duration is used to estimate the impact of a change in interest rates: all else being equal, a 1% increase in interest rates would, for a 6 year duration, be expected to result in a 6% decrease in the market value of the fixed income portfolio.

Bonds Modified Duration:

Bona Vista Bonds	<b>7.11</b>	6.50
SSgA Bonds	<b>6.95</b>	6.80
Weighted Average of Bonds	<b>7.02</b>	6.69
Weighted Average Including Short Term	<b>6.64</b>	6.20

Estimated impact of a 1% change in interest rates	<b>6.6% (2012)</b>	6.7% (2011)
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***(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 \$141,279 at December 31, 2012 (2011 - \$128,373).

***(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 other liabilities of \$762 (2011 - \$1,426). Other liabilities relate to accounts payable and accrued expenses and will generally be settled within 90 days of the year end.

As at December 31, 2012, the Plan held cash and money market instruments totaling \$5,009 (2011 - \$6,493) which are readily available to settle such obligations.

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**3. INVESTMENTS (continued)**

*(vii) Fair Value Hierarchy*

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Balance as at December 31, 2012</u>
<b>Money Market</b>	\$ 4,762	\$ -	\$ -	\$ 4,762
<b>Real Estate</b>	-	-	19,440	19,440
<b>Bonds &amp; Debentures</b>	-	81,382	-	81,382
<b>Equities</b>	28,364	112,915	-	141,279
<b>Mortgages</b>	-	-	1,829	1,829
	<u>\$ 33,126</u>	<u>\$ 194,297</u>	<u>\$ 21,269</u>	<u>\$ 248,692</u>

  

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Balance as at December 31, 2011</u>
<b>Money Market</b>	\$ 5,704	\$ -	\$ -	\$ 5,704
<b>Real Estate</b>	-	-	13,467	13,467
<b>Bonds &amp; Debentures</b>	-	82,259	-	82,259
<b>Equities</b>	24,263	104,110	-	128,373
<b>Mortgages</b>	-	-	2,065	2,065
	<u>\$ 29,967</u>	<u>\$ 186,369</u>	<u>\$ 15,532</u>	<u>\$ 231,868</u>

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

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**4. PENSION OBLIGATION**

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:

Asset rate of return	6.80% (2011 - 6.80%)
Salary escalation rate (inflation component)	4.00% (2011 - 4.00%)
Discount rate per annum for all members	6.50% (2011 - 6.50%)

Changes in actuarial assumptions between 2011 and 2012 resulted in a decrease in the pension obligation of \$2,572 (2011 – \$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 2012, experience losses were \$1,200 (2011 – \$nil).

The deficiency of net assets available for benefits relative to the pension obligation results in the Plan being in a deficit position of \$20,886 as at December 31, 2012 (2011 – deficit of \$27,920).

**5. FUNDING POLICY**

Effective January 1, 2012, the employee and the Board of Police Commissioners required the contribution rate to be increased from 7.67% to 8.34% and then to 9% effective January 1, 2013.

The Board of Police Commissioners' funding policy is to make monthly contributions to the Plan in amounts which match the employee's contributions, with the exception of some buybacks exercised by the employee for which the Board of Police Commissioners 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 the valuation will be filed with Saskatchewan Financial Services Commission (Pension Division). This valuation disclosed a going concern unfunded liability of \$21,400.

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.

CITY OF SASKATOON  
POLICE SUPERANNUATION PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(in thousands of dollars)

6. CHANGES IN FAIR VALUES OF INVESTMENTS

	<u>2012</u>	<u>2011</u>
Realized (loss) gain on investments	\$ (6,011)	\$ 1,993
Change in unrealized (depreciation) appreciation of investments	<u>20,917</u>	<u>(4,942)</u>
<b>Total change in fair values of investments for the year</b>	<b><u>\$ 14,906</u></b>	<b><u>\$ (2,949)</u></b>

7. ADMINISTRATIVE EXPENSES

	<u>2012</u>	<u>2011</u>
Bank interest	\$ 32	\$ 28
Administrative expenses	222	99
Custodial fees	18	19
Actuarial fee	<u>18</u>	<u>31</u>
<b>Total Administrative expenses</b>	<b><u>\$ 290</u></b>	<b><u>\$ 177</u></b>

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