Finance

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Executive summary

In this chapter, we report the results of our audits of the special purpose funds and Crown agencies administered by the Department of Finance (Department) with years ending December 31, 2000.

We also report on the Public Service Superannuation Plan and the Members of the Legislative Assembly Superannuation Plan for the year ended March 31, 2000. These audits were completed after we prepared our 2000 Fall Report – Volume 3.

We focus on the need for the Department to ensure the pension plans it administers comply with the law.

The Department should ensure payments to surviving spouses of Members of the Legislative Assembly comply with *The Members of the Legislative Assembly Superannuation Act, 1979* (Act) and should seek changes to the Act to provide direction for the handling of profits or losses from underwriting annuities. Also, the Department should seek amendments to the Act to make its requirements for contributions consistent with Canada's *Income Tax Act.*

Introduction

The Department of Finance (Department) helps the Government and Legislative Assembly manage and account for public money. As part of these duties, the Department administers and is responsible for several special purpose funds and Crown agencies.

Special purpose funds and Crown agencies

The Department is responsible for the following special purpose funds and Crown agencies.

Year end December 31

Extended Health Care Plan
Extended Health Care Plan for Certain Other Employees
Municipal Employees' Pension Commission
Public Employees Deferred Salary Leave Fund
Public Employees Disability Income Fund
Public Employees Dental Fund
Public Employees Group Life Insurance Fund
Saskatchewan Pension Plan

Year end March 31

General Revenue Fund
Members of the Legislative Assembly Superannuation Fund
Public Employees Benefits Agency Revolving Fund
Public Employees Pension Plan
Public Service Superannuation Plan
Saskatchewan Pension Annuity Fund

Our audit conclusions and findings

This chapter contains our audit conclusions and findings on the special purpose funds and Crown agencies with years ending December 31, 2000.

In our 2000 Fall Report – Volume 3, we reported on the funds and Crown agencies with years ending on or during the year to March 31, 2000, except for the Public Service Superannuation Plan and the Members of the Legislative Assembly Superannuation Plan. We have now completed these audits and report the conclusions and findings in this chapter.

Our Office worked with Ernst & Young, Saskatchewan Pension Plan's appointed auditor and KPMG, the Municipal Employees' Pension Commission's appointed auditor. We used the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (to view a copy of this report, see our website at http://www.auditor.sk.ca/rrd.html). Our Office, Ernst & Young, and KPMG formed the following opinions.

In our opinion:

- **the financial statements for the Department's special purpose funds and Crown agencies are reliable;**

- **the Department's special purpose funds and Crown agencies had adequate rules and procedures to safeguard and control their assets; and**

- **the Department's special purpose funds and Crown agencies complied with the governing authorities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing and investing, except where we report otherwise in this chapter and for pension payments to certain retired members who return to work, which we report in Chapter 8 (Pensions) of this report.**

Members of the Legislative Assembly Superannuation Plan

The Members of the Legislative Assembly Superannuation Plan (Plan) receives contributions from members and the General Revenue Fund. The Department uses the contributions and investment income to pay pensions and administrative costs. In 2000, the Plan paid pensions of $2.3 million. At March 31, 2000, it held net assets of $20 million.

Spousal payments require authority

The Department paid more allowances to surviving spouses of deceased members than required by *The Members of the Legislative Assembly Superannuation Act, 1979* (Act).

We continue to recommend the Department should pay allowances to surviving spouses as required by the Act or seek changes to the Act to allow for these payments.

We reported this matter in our 1999 Fall Report - Volume 2 and previous reports. The Standing Committee on Public Accounts (PAC) considered this matter in January 1999 and more recently in March 2001 and concurred with our recommendation.

The Department told us it continues to seek legislative changes.

Act needs to provide direction

The Members of the Legislative Assembly Superannuation Act, 1979 needs to set out how the Department should administer profits or losses from underwriting annuities.

The law does not specify who pays for any future losses, nor does it direct the use of profits. At March 31, 2000, the accumulated profits from underwriting annuities were $253,000 (1999 - $157,000, 1998 - $231,900, 1997 - accumulated losses of $55,950).

We continue to recommend the Department should seek changes to the law to provide direction for the handling of profits or losses from underwriting annuities.

We reported this matter in our 1999 Fall Report - Volume 2 and previous reports. PAC considered this matter in January 1999 and more recently in March 2001 and concurred with our recommendation.

The Department told us it continues to seek legislative changes.

Law needs to be consistent

The Department needs to seek changes to *The Members of the Legislative Assembly Superannuation Act, 1979* (MLA Act) to make its requirements for contributions consistent with Canada's *Income Tax Act* (Income Tax Act).

A pension plan registered under the Income Tax Act enables members of the plan to defer taxation of their benefits until they retire. Once a pension plan is registered, it must comply with the Income Tax Act or face losing its registration. If a pension plan loses its registration, members of the plan would have to pay income tax immediately on the benefits earned. The Members of the Legislative Assembly defined contribution plan is registered under the Income Tax Act. However, the MLA Act is in conflict with requirements of the Income Tax Act.

For example, for the Members of the Legislative Assembly defined contribution plan, the Income Tax Act allows a maximum combined contribution by the member and the Government of $13,500 per year or 18% of the member's earned income if that is lower than $13,500. The MLA Act requires its defined contribution plan members and the Government to contribute in excess of the maximum.

When pension plans do not comply with the Income Tax Act they face the risk of losing their registration, resulting in immediate tax implications for their members.

To ensure members of the plan can continue to defer taxation of their benefits, the Department should seek change to the MLA Act to make it consistent with the Income Tax Act.

1. **We recommend the Department should seek change to the provisions of *The Members of the Legislative Assembly Superannuation Act, 1979* to make them consistent with Canada's *Income Tax Act*.**

The Department told us it would seek legislative change.