Liquor Board Superannuation Commission

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Executive summary

In this chapter, we report the results of our audit of the Liquor Board Superannuation Commission (Commission) for the year ended December 31, 2001. The Commission is responsible for administering the Liquor Board Superannuation Plan (Plan). We concluded the Plan's financial statements are reliable. The Commission had adequate rules and procedures to safeguard and control the Plan's assets except for matters we report in this chapter. Also, the Commission complied with the laws governing its activities except for matters we report in this chapter.

We report two matters for the attention of the Legislative Assembly.

First, we report the Commission needs adequate rules and procedures to ensure the Plan's investments comply with *The Pension Benefits Act 1992,* and the Plan's statement of investment objectives. The Plan receives quarterly investment compliance reports from its investment manager. However, the Plan does not have adequate processes to verify its investment manager's compliance report. As a result, we cannot determine if the Commission complied with the law and the Plan's established investment objectives. Management told us it plans to address this matter.

Second, we report the Commission does not have adequate rules and procedures to know if retired members are working for the Government. Section 27 of *The Superannuation (Supplementary Provisions) Act* sets out the requirements for stopping pensions when retired members receiving pensions return to work for the Government. We have reported this matter in our previous reports. Management told us it plans to seek changes to the Act.

Introduction

The Saskatchewan Liquor and Gaming Authority sponsors the Liquor Board Superannuation Plan (Plan). The Plan was established under *The Liquor Board Superannuation Act*. The Liquor Board Superannuation Commission (Commission) is responsible for administration of this Act. Through the Plan, the Commission provides superannuation allowances to retired employees and dependants of deceased superannuates and employees. The Plan is a defined benefit final average pension plan. Under the direction of the Commission, the Public Employees Benefits Agency provides day-to-day management to the Plan.

In 2001, the Plan had contributions of $2.32 million and pension benefits including refunds of $2.9 million. At December 31, 2001, the Plan held assets of $14.1 million and had liabilities of $27.9 million.

Our audit conclusions and findings

In our opinion for the year ended December 31, 2001:

- **the Plan's financial statements are reliable;**
- **the Commission complied with the authorities governing the Plan's activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing except for the matters described below; and**
- **the Commission had adequate rules and procedures to safeguard and control the Plan's assets except for the matters described below.**

Verification of investment manager compliance reports

The Commission needs adequate rules and procedures to ensure the Plan's investments comply with the law and the Plan's statement of investment objectives.

The Commission is responsible to ensure that all investments comply with the law and the Plan's investment objectives. *The Pension Benefits Act 1992* sets out the investment requirements that the pension plans must follow. Pension plans sometimes contract with investment managers to make investment decisions. Pension plans must ensure their investment managers comply with the requirements of their investment objectives and with the law. Plans can do this by independently verifying the investment manager's compliance reports.

The Commission's contract with its investment manager requires the manager to ensure the Plan's investments comply with the law and the Plan's statement of investment objectives. Quarterly, the Commission receives investment compliance reports from the investment manager. However, the Commission does not verify those reports. Also during 2001, the Commission converted all of its investments to pooled funds resulting in change of information it received from its investment manager. Investment managers provide less information about the securities bought and sold in pooled funds. Therefore, the relevant information is not readily available to verify the investment manager's compliance reports.

To ensure that all investments comply with the law and the Plan's investment objectives, the Commission should verify the investment manager's compliance reports. Alternatively, the Commission could receive periodic independent assurance on the adequacy of the systems and practices the investment manager uses. Because the Commission did not have rules and procedures to verify its investment manager's compliance report, we cannot determine if the Commission complied with the law and the Plan's established investment objectives.

1. **We recommend that the Commission should establish rules and procedures to verify the investment manager's compliance reports.**

Management told us it plans to address this matter.

Retired members' pensions

The Commission needs information about retired members of the Plan who are receiving a pension and who have returned to work for the Government. The Commission needs this information to ensure it pays pensions in accordance with the law.

Section 27 of *The Superannuation (Supplementary Provisions) Act* sets out the requirements for stopping pensions when retired members receiving pensions are re-employed. This Act allows retired members receiving pensions to work for the Government as temporary, casual, or provisional employees for a period not exceeding six months in a fiscal year without any reductions in their pensions. However, the Act requires the Commission to stop the pension of a retired member receiving a pension who works for the Government more than six months in a fiscal year. The Act also requires the Commission to stop the pension of a retired member who is re-hired by the Government as a permanent employee on the day the member starts work.

The Commission does not have adequate rules and procedures to know if retired members are working for the Government. The Commission relies on retired members receiving a pension notifying the Commission upon re-employment with the Government. As a result, the Commission cannot ensure all pensions paid comply with the law. Also, because the Commission does not have adequate rules and procedures to know if retired members are working for the Government, we cannot determine if the Commission complied with section 27 of the Act.

We also reported this matter in our 2001 Spring Report.

In November 2001, the Standing Committee on Public Accounts considered this matter and concurred with our recommendation.

We continue to recommend that the Commission establish rules and procedures to ensure all retired members receiving a pension, who have returned to work for the Government, are paid in accordance with the Act. Alternatively, the Commission should seek changes to the Act.

Management told us it plans to seek changes to the Act.

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