

Chapter 6

Special Purpose Funds

1.0 MAIN POINTS

The Ministry of Finance (Finance) administers and is responsible for various special purpose funds and agencies. Each of those agencies with a year ended December 31, 2011 complied with authorities governing their activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. Their 2011 financial statements are reliable and each of them had adequate rules and procedures to safeguard public resources except the Extended Health Care Plan (Plan).

The Public Employees Benefits Agency (PEBA) manages the Plan for the Joint Board of Trustees. PEBA did not record a \$9 million arbitration settlement in the Plan's December 31, 2010 financial records. PEBA recorded the transaction as a prior period adjustment in the December 31, 2011 audited financial statements. PEBA and the Joint Board of Trustees for this Plan need to improve their processes to identify and minute key financial decisions. Also, the Public Employees Benefits Agency should promptly record all financial transactions of this Plan.

2.0 INTRODUCTION

This chapter contains the results of our annual audits of agencies with years ending December 31, 2011 for which the Ministry of Finance (Finance) is responsible. Our 2011 Report – Volume 2 included the results of the agencies with years ending March 31, 2011.

2.1 **Background—Special Purpose Funds and Agencies**

Finance helps the Government manage and account for public money. Its mandate is to provide options and advice to Treasury Board and Cabinet on managing and controlling the Government's finances. Its responsibilities include the following:

- › Administering and collecting provincial taxes
- › Arranging government financing, banking, investing, and borrowing
- › Administering certain public sector pension and benefit plans
- › Receiving revenues from taxation and transfers
- › Controlling spending from the General Revenue Fund (GRF)
- › Maintaining central revenue and expense systems including the financial modules of the computerized Multi-informational Database Applications system (MIDAS Financials)



- › Providing information, advice, and analysis on:
- government-wide fiscal and economic policies including tax policy alternatives and budgetary decisions relating to the GRF
 - strategic policy development and analysis on matters related to public sector compensation and management or collective bargaining
 - financial management and accounting
 - annual performance planning, measuring, and reporting processes¹

Finance administers and is responsible for the following special purpose funds and agencies (agencies). Each of the agencies (except for the Growth and Financial Security Fund²) provides the Legislative Assembly with audited financial statements; some also provide an annual report.

Year ended December 31

Extended Health Care Plan
Extended Health Care Plan for Certain Other Employees
Extended Health Care Plan for Certain Other Retired Employees
Extended Health Care Plan for Retired Employees
Municipal Employees' Pension Commission
Municipal Financing Corporation of Saskatchewan
Public Employees Deferred Salary Leave Fund
Public Employees Dental Fund
Public Employees Disability Income Fund
Public Employees Group Life Insurance Fund
Saskatchewan Government Insurance Service Recognition Plan
Saskatchewan Pension Plan
Saskatchewan Power Corporation Designated Employee Benefit Plan
Saskatchewan Power Corporation Pre-1996 Severance Plan
Saskatchewan Water Corporation Retirement Allowance Plan
SaskEnergy Retiring Allowance Plan
SaskPower Supplementary Superannuation Plan

Year ended March 31

Growth and Financial Security Fund
Judges of the Provincial Court Superannuation Plan
Public Employees Benefits Agency Revolving Fund
Public Employees Pension Plan
Public Service Superannuation Plan
Saskatchewan Pension Annuity Fund
Saskatchewan Watershed Authority Retirement Allowance Plan

3.0 AUDIT CONCLUSIONS

To form our opinion on the Municipal Employees' Pension Plan and Saskatchewan Pension Plan, our Office worked with Deloitte & Touche LLP, the appointed auditor. We used the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (www.auditor.sk.ca/rrd.html).

¹ Ministry of Finance. (2011). *2010-11 Annual Report*.

² This Fund does not prepare financial statements and is not legally required to do so.

In our opinion, for the year ended December 31, 2011:

- › Finance and its agencies had adequate rules and procedures to safeguard public resources except for the matters reported in this chapter
- › Finance and its agencies complied with authorities set out in Figure 1 governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing
- › Finance's agencies with December 31, 2011 year ends had reliable financial statements

Figure 1—Summary Relevant Authorities

<p>The Financial Administration Act, 1993 Related Plan Document</p> <p>Extended Health Care Plan Extended Health Care Plan for Retired Employees Extended Health Care Plan for Certain Other Employees Extended Health Care Plan for Certain Other Retired Employees Public Employees Dental Fund Public Employees Disability Income Fund Public Employees Deferred Salary Leave Fund</p> <p>The Municipal Employees' Pension Act The Municipal Employees' Pension Regulations The Pension Benefits Act, 1992 The Pension Benefits Regulations, 1993 Pension Benefits Standards Regulations, 1985 (Canada) Income Tax Act (Canada) [Sections 147.1–147.3] Income Tax Regulations (Canada) [Sections 8501–8505, 8512, 8514, 8520]</p> <p>Municipal Employees Pension Commission</p> <p>The Municipal Financing Corporation Act The Financial Administration Act, 1993</p> <p>Municipal Financing Corporation of Saskatchewan</p>	<p>The Financial Administration Act, 1993 Insurance Premiums Act Group Life Insurance Plan Document</p> <p>Public Employees Group Life Insurance Fund</p> <p>The Crown Employment Act The Financial Administration Act, 1993 Sections 64 and 65 Related Plan documents Administration Agreements between PEBA and the plan sponsor</p> <p>Saskatchewan Government Insurance Service Recognition Plan Saskatchewan Power Corporation Designated Employee Benefit Plan Saskatchewan Power Corporation Pre-1996 Severance Plan Saskatchewan Water Corporation Retirement Allowance Plan SaskEnergy Retiring Allowance Plan SaskPower Supplementary Superannuation Plan</p> <p>The Saskatchewan Pension Plan Act The Saskatchewan Pension Plan Regulations Income Tax Regulations (Canada) [Section 7800(2)]</p> <p>Saskatchewan Pension Plan</p>
Orders in Council issued pursuant to the above legislation	

4.0 AUDIT FINDINGS

4.1 Extended Health Care Plan

The Extended Health Care Plan (Plan) was established pursuant to subsection 64(2) of *The Financial Administration Act, 1993*. The Plan provides extended health care benefits to certain unionized employees of the Government of Saskatchewan.

The Plan consists of the Extended Health Care Fund, the Saskatchewan Government and General Employees' Union (PS/GE SGEU) Benefit Plans' Surplus Fund and the Canadian Union of Public Employees', Local 600 (CUPE) Benefit Plans' Surplus Fund.



PEBA, a branch of the Ministry, manages the Plan under direction from the Joint Board of Trustees. The Joint Board of Trustees is made up of equal representation of union members and employers' representatives.

In 2011, the Plan received contributions of \$13.0 million and paid premiums of \$11.6 million. At December 31, 2011, the Plan had net assets of \$15.3 million.

4.1.1 Need to Account for Arbitration Settlement

In the course of the administration of the Plan, a disagreement arose between the Government of Saskatchewan (Government) and the Saskatchewan Government and General Employees' Union (PS/GE SGEU) regarding language in the collective bargaining agreement pertaining to extended health care plan funding. The disagreement was put to arbitration.

In January 2011, an arbitrator awarded a settlement to the PS/GE SGEU Benefit Plans' Surplus Fund (Fund). As a result of the arbitration award, the Government is to bring the balance of the Fund into a surplus position of \$15 million. The amount of the settlement is contingent on the balance in the Fund at the time of payment. The required payment from the Government will occur either on the renewal of the new collective bargaining agreement or June 30, 2013, whichever comes first. The settlement is estimated to be \$9 million.

Although PEBA and some members of the Joint Board were aware of the settlement, those board members and PEBA did not consider it their responsibility to formally notify the Joint Board of the financial implications of the settlement on the Fund. As a result, the settlement was not discussed by the Joint Board and, as such, there was no discussion on how to account for the item. Therefore, nothing was noted in the minutes on this item. Also, the Joint Board did not provide PEBA direction on how to record the transaction. This situation was not brought to our attention until January 2012.

- 1. We recommend that the Public Employees Benefits Agency and the Joint Board of Trustees of the Extended Health Care Plan improve their processes to identify and document key financial decisions in their minutes of the Extended Health Care Plan.**

PEBA did not promptly record the \$9 million settlement in the Plan's financial records. PEBA should have recorded the settlement in the Plan's December 31, 2010 financial records. As a result, accounts receivable and contribution revenue reported for the year ended December 31, 2010 were understated by \$9 million. PEBA recorded the settlement in the Plan's financial records as a prior period adjustment in the Plan's December 31, 2011 financial statements.

- 2. We recommend that the Public Employees Benefits Agency promptly record all financial transactions of the Extended Health Care Plan.**