Chapter 1
Capital Pension Plan

1.0 Main Points

Crown Investments Corporation of Saskatchewan (CIC) appropriately handled key aspects of the transfer of the defined contribution fund (DCF) component[1] of the Capital Pension Plan (Plan) to the Public Employees Pension Plan (PEPP). PEPP is another government defined contribution pension plan.

However, CIC missed completing certain steps after the completion of the June 2015 transfer of the DCF component. As a result, it did not update some of the Plan's financial records and the financial statements presented for audit contained errors. CIC corrected the financial statements prior to their finalization and approval.

The Plan's 2015 financial statements were reliable and it complied with its governing authorities.

2.0 Introduction

The Capital Pension Plan Board (Board) is responsible for administering the Capital Pension Plan, a closed and registered pension plan.[2] Up to June 25, 2015, the Plan consisted of two funds – the defined contribution fund and the retirement annuity fund (RAF). After that date, the Plan consisted only of the RAF. Participating employers in the DCF component included CIC, some of its subsidiary Crown corporations (e.g., Saskatchewan Government Insurance), other government entities, and private sector employers.

Effective June 25, 2015, the Plan transferred the DCF component, with account balances of about $1.3 billion, to PEPP.[3] Also, effective July 1, 2015, the Board contracted the responsibility for the day-to-day Plan administration from CIC to the Public Employees Benefits Agency (PEBA). CIC remained responsible for the preparation of the Plan's 2015 financial statements for the Board's approval.

At December 31, 2015, the Plan had net assets of $37.8 million (2014: $1.3 billion), owed $30.9 million for annuities (2014: $30.8 million) and had a surplus of $6.9 million (2014: $1.3 billion).[4]

3.0 Audit Conclusions and Scope

Our Office worked with Deloitte LLP, the appointed auditor, to carry out the audit of the Plan. We followed the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors.*[5]

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[1] The DCF component received and held, in trust, member and employer contributions as well as the related investment income earned on those contributions.
[2] The Plan is registered under *The Income Tax Act* (Canada) and *The Pension Benefits Act, 1992* (Saskatchewan). It continues under *The Crown Corporations Act, 1993.* Since July 1, 2015, the Plan has not accepted new members (i.e., a closed pension plan).
[3] Capital Pension Plan 2015 audited financial statements.
[4] Ibid.
[5] See our website at www.auditor.sk.ca.

In our opinion, for the year ended December 31, 2015:

- **The Plan had reliable financial statements**
- **The Board had effective rules and procedures to safeguard the Plan's public resources except for the matter reported in this chapter**
- **The Board complied with the following authorities governing the Plan's activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

  Text of the Capital Pension Plan
  The Crown Corporations Act, 1993 (Sections 6(1)(t), 8, and 33(2))
  The Pension Benefits Act, 1992 (Saskatchewan)
  The Pension Benefits Regulations, 1993 (Saskatchewan)
  The Pension Benefits Standards Regulations (Canada) (Schedule iii)
  The Income Tax Act (Canada) (Sections 147.1 and 147.3)
  The Income Tax Regulations (Canada) (Sections 8501, 8502, 8506, 8512, 8514)

We used the control framework published by CPA Canada to make our judgments about the effectiveness of the Plan's controls. The control framework defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

4.0 Key Finding

4.1 Certain Steps Missed Post DCF Component Transfer

CIC did not reconcile the records of the custodian (who previously held the investments of the DCF component) to the investment amounts in the Plan's financial records after the June 2015 transfer of the DCF component of the Plan. This reconciliation would have confirmed whether all DCF investments were transferred to PEPP, and the Plan's financial records were correct.

In June 2015, CIC directed the custodian to notify PEBA about any remaining DCF investments (e.g., dividends or other income received subsequent to the transfer date). Upon notification, PEBA was responsible to transfer these investments to PEPP.

The audit identified that the custodian held $528 thousand of DCF investments (i.e., cash) at December 31 2015. PEBA had not yet transferred this cash to PEPP and CIC did not record it in the Plan's financial records. As a result, the financial statements presented for audit contained errors.

CIC corrected the financial statements prior to their finalization and approval. As noted above, the Plan's final 2015 financial statements were reliable. After year-end, PEBA transferred the remaining DCF investments to PEPP.

Also, CIC did not have readily available, documentation supporting certain DCF component amounts it had disclosed in the Plan's financial statements presented for audit (e.g., detailed breakdown of contributions).

CIC management indicated that these issues resulted primarily from turnover of CIC staff and key management responsible for accounting for and overseeing the Plan.