

Financial Statements of

CAPITAL PENSION PLAN

Year ended December 31, 2015

Independent Auditor's Report

To the Members of the Legislative Assembly of Saskatchewan

We have audited the accompanying financial statements of the Capital Pension Plan, which comprise the statement of financial position as at December 31, 2015, and the statement of changes in net assets available for benefits and the statement of changes in provision for annuity obligation retirement annuity fund 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 Capital Pension Plan as at December 31, 2015 and the changes in net assets available for benefits and changes in its provision for annuity obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describes that during the year the Capital Pension Plan Defined Contribution Fund members and net assets were transferred to the Public Employees Pension Plan as at June 25, 2015.



Chartered Professional Accountants, Chartered Accountants
Licensed Professional Accountants

March 24, 2016
Regina, Saskatchewan


CAPITAL PENSION PLAN
STATEMENT OF FINANCIAL POSITION

As at December 31

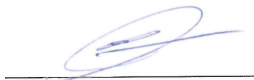
	2015			2014		
	Defined Contribution Fund	Retirement Annuity Fund	Total	Defined Contribution Fund	Retirement Annuity Fund	Total
	(thousands of dollars)					
Assets						
Investments (Note 4)	\$ -	\$ 31,378	\$ 31,378	\$ 1,212,048	\$ 31,534	\$ 1,243,582
Investments under securities lending program (Note 4)	-	6,692	6,692	77,359	7,514	84,873
Cash	528	44	572	909	28	937
Contributions receivable	-	-	-	633	-	633
Interest and dividends receivable	-	228	228	5,437	280	5,717
Capital assets (Note 8)	-	-	-	8	-	8
Total assets	<u>528</u>	<u>38,342</u>	<u>38,870</u>	<u>1,296,394</u>	<u>39,356</u>	<u>1,335,750</u>
Liabilities						
Accounts payable (Note 7 and 11)	528	506	1,034	1,554	531	2,085
Prepaid participants' contributions	-	-	-	401	-	401
Total liabilities	<u>528</u>	<u>506</u>	<u>1,034</u>	<u>1,955</u>	<u>531</u>	<u>2,486</u>
Net assets available for benefits	<u>\$ -</u>	<u>\$ 37,836</u>	<u>\$ 37,836</u>	<u>\$ 1,294,439</u>	<u>\$ 38,825</u>	<u>\$ 1,333,264</u>
Provision for annuity obligation (Note 10)	-	30,910	30,910	-	30,752	30,752
Surplus	<u>\$ -</u>	<u>\$ 6,926</u>	<u>\$ 6,926</u>	<u>\$ 1,294,439</u>	<u>\$ 8,073</u>	<u>\$ 1,302,512</u>

(see accompanying notes)

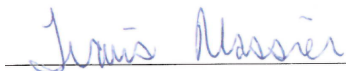
On behalf of the Capital Pension Plan Board of Directors:



Chris Buchan, Chair



Alan Fern, Member



Travis Massier, Member

CAPITAL PENSION PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

For the year ended December 31

	2015			2014		
	Defined Contribution Fund	Retirement Annuity Fund	Total	Defined Contribution Fund	Retirement Annuity Fund	Total
	(thousands of dollars)					
Increase in Assets						
Investment income (Note 5)	\$ 12,440	\$ 1,479	\$ 13,919	\$ 30,803	\$ 1,548	\$ 32,351
Change in fair value of investments	60,148	105	60,253	83,058	2,307	85,365
Contributions and transfers in (Note 6)	21,323	69	21,392	50,392	747	51,139
	<u>93,911</u>	<u>1,653</u>	<u>95,564</u>	<u>164,253</u>	<u>4,602</u>	<u>168,855</u>
Decrease in Assets						
Withdrawals and transfers out (Note 7)	1,385,396	2,439	1,387,835	60,484	2,501	62,985
Operating expenses (Note 13)	2,954	203	3,157	4,822	197	5,019
	<u>1,388,350</u>	<u>2,642</u>	<u>1,390,992</u>	<u>65,306</u>	<u>2,698</u>	<u>68,004</u>
(Decrease)/increase in net assets available for benefits	(1,294,439)	(989)	(1,295,428)	98,947	1,904	100,851
Net assets available for benefits, beginning of year	<u>1,294,439</u>	<u>38,825</u>	<u>1,333,264</u>	<u>1,195,492</u>	<u>36,921</u>	<u>1,232,413</u>
Net assets available for benefits, end of year	<u>\$ -</u>	<u>\$ 37,836</u>	<u>\$ 37,836</u>	<u>\$ 1,294,439</u>	<u>\$ 38,825</u>	<u>\$ 1,333,264</u>

(see accompanying notes)

CAPITAL PENSION PLAN

STATEMENT OF CHANGES IN PROVISION FOR ANNUITY OBLIGATION RETIREMENT ANNUITY FUND

For the year ended December 31

	<u>2015</u>	<u>2014</u>
	(thousands of dollars)	
Provision for annuity obligation, beginning of year	\$ 30,752	\$ 29,180
Increase in provision for annuity obligation		
Interest on provision	1,107	1,255
Liability due to new annuitants during year	65	681
Change in expense assumption	-	52
Change in discount rate	273	1,795
Ad Hoc Indexing	1,965	1,175
	<u>3,410</u>	<u>4,958</u>
Decrease in provision for annuity obligation		
Annuity payments with interest	2,599	2,576
Mortality experience	653	810
	<u>3,252</u>	<u>3,386</u>
Net increase in provision for annuity obligation	<u>158</u>	<u>1,572</u>
Provision for annuity obligation, end of year (Note 10)	<u>\$ 30,910</u>	<u>\$ 30,752</u>

(see accompanying notes)

CAPITAL PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

1. Description of Plan

The following description of Capital Pension Plan (the Plan) is a summary only. For more complete information, reference should be made to the Plan Text.

- a) The Plan was established pursuant to **The Crown Corporations Act, 1978** and is continued under **The Crown Corporations Act, 1993**. It is a Registered Pension Plan legislated under **The Pension Benefits Act, 1992** and is not subject to income taxes under the **Income Tax Act**. The Plan was available to corporations both in the public and private sector (participants) upon approval of the Plan's Board of Directors. The Capital Pension Plan Pension Board administers the Plan. Day-to-day administration is provided by the Public Employees Benefits Agency.
- b) The Provincial Government of Saskatchewan approved the transfer of administration of the Plan from Capital Pension and Benefits Administration to the Ministry of Finance's Public Employees Benefits Agency (PEBA). As at June 25, 2015, the Plan's Defined Contribution (DCF) Fund members and assets were transferred to the Public Employees Pension Plan (PEPP). The Plan transferred the administration of the Retirement Annuity Fund (RAF) to PEBA. The RAF was not affected by this transfer.
- c) As of June 25, 2015 the Plan is comprised of a RAF. The RAF assets are managed by a professional investment manager whose investment objectives and performance is measured against objectives established by the Capital Pension Plan Board of Directors as outlined in the Statement of Investment Policies and Goals. The RAF was established to provide Plan members with the option of purchasing a life annuity upon retirement. If the member elected to purchase a life annuity from the RAF, the individual's account balance was transferred from the DCF to the RAF and a pension annuity contract was established based on current interest rates and group annuity mortality tables.
- d) Crown Investments Corporation of Saskatchewan (the Corporation) is the sponsor for the Plan, and as such, is ultimately responsible for any shortfalls that may occur in RAF. The DCF has no responsibility to fund any shortfalls that may arise in the RAF.
- e) Prior to the transfer to PEPP, the DCF received and held, in trust, member and participant contributions as well as the related investment income derived from those contributions. There were two investment options available to DCF members, the Diversified Fund (DF) and the Pre-Retirement Fund (PRF). The total amount available to a member upon termination or retirement was equal to the particular member's account balance at that date, subject to certain vesting and other specific rules governing the Plan.

A Variable Benefit (VB) pension option was available to eligible current and former DCF members as a retirement income alternative. That option allowed for payments to be paid to members through either lump-sum withdrawals or periodic payments subject to minimum withdrawals set by the Income Tax Act.

2. Basis of Preparation

Statement of compliance

The financial statements for the year ended December 31, 2015 have been prepared in accordance with the Chartered Professional Accountants (CPA) Canada Handbook Section 4600, *Pension Plans*. For matters not addressed in Section 4600, International Financial Reporting Standards (IFRSs) guidance has been implemented. The financial statements were authorized and issued by the Capital Pension Plan Board of Directors on March 24, 2016.

Basis of measurement

The financial statements have been prepared on the historical cost basis except for financial instruments which have been measured at fair value.

Functional and presentation currency

These financial statements are presented in Canadian Dollars, which is the Plan's functional currency, and are rounded to the nearest thousand unless otherwise noted.

CAPITAL PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

3. Significant Accounting Policies

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. They are prepared to assist Plan members and others in reviewing the activities of the Plan for the fiscal period but they do not portray the funding requirements of the Plan or the benefit security of individual Plan members.

The financial statements are prepared in accordance with Canadian accounting standards for pension plans. The following policies are considered to be significant:

a) Net assets available for benefits

i) Defined Contribution Fund

This amount represents the difference between the DCF's assets and liabilities and is for the exclusive use of the DCF members for providing retirement income.

ii) Retirement Annuity Fund

This amount represents the difference between the RAF's assets and liabilities and is available to meet the payment obligations of current and future annuitants.

b) Valuation of assets and liabilities

Plan assets and liabilities are valued and recorded as follows:

i) Investments

All investments are carried at fair value (Note 4). The fair value of bonds and debentures is based on model pricing techniques that effectively discount prospective cash flows to present value, taking into account duration, credit quality and liquidity. The fair value of equities is based on quoted market values, based on latest bid prices. The fair value of pooled funds is based on the quoted market value of the underlying investments.

Short-term investments are recorded at cost which approximates fair value due to the short term to maturity. Segregated real estate investments are recorded at fair value using an independent appraisal system that considers such factors as replacement cost and earnings results.

ii) Cash, receivables and payables

Cash, contributions receivable, interest and dividends receivable, accounts payable and prepaid participants contributions are recorded at cost which approximates fair value due to their immediate or short term maturity.

iii) Provision for annuity obligation

The provision for annuity obligation is carried at the actuarial present value of the future expected annuity benefit obligation to pensioners.

CAPITAL PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

3. Significant Accounting Policies (continued)

iv) Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is recorded on a straight line basis over their estimated useful lives as follows:

Computer equipment & software	3-5 years
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c) Investment Income, change in fair value and transaction costs

Investment income, which is recorded on an accrual basis, includes interest income and dividends. The change in fair value of investments includes both the realized and unrealized gains and losses on investments at the end of the year.

Investment transactions are recorded on their respective trade date. Investment transaction costs are recognized in the Statement of Changes in Net Assets Available for Benefits in the period incurred.

d) Foreign currency translation

Monetary items denominated in foreign currency are translated to Canadian dollars at exchange rates in effect at the year end date. Revenues and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses are included in income.

e) Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for pension plans requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the recorded amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the valuation of investments and provision for annuity obligation. Actual results could differ from these estimates.

f) New standards and interpretations not yet adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2015, and have not been applied in preparing these financial statements. IFRS 9, Financial Instruments will be mandatory for the Plan's financial statements effective January 1, 2018. This is not expected to have a significant effect on the financial statements of the Plan.

CAPITAL PENSION PLAN
NOTES TO FINANCIAL STATEMENTS

December 31, 2015

4. Investments

a) Retirement Annuity Fund investments consist of the following:

	<u>2015</u>	<u>2014</u>
	(thousands of dollars)	
Bonds and debentures	\$ 30,177	\$ 30,736
Short-term investments	<u>743</u>	<u>214</u>
	<u>30,920</u>	<u>30,950</u>
Pooled funds		
Greystone Money Market Fund	458	584
	<u>458</u>	<u>584</u>
	<u>\$ 31,378</u>	<u>\$ 31,534</u>
Bonds and debentures under securities lending program	<u>\$ 6,692</u>	<u>\$ 7,514</u>

b) Defined Contribution Fund investments consisted of the following:

	<u>2015</u>	<u>2014</u>
	(thousands of dollars)	
Bonds and debentures	\$ -	\$ 203,470
Short-term investments	-	44,112
Equities	-	<u>316,754</u>
	<u>-</u>	<u>564,336</u>
Pooled funds		
Greystone Money Market Fund	-	43,610
Greystone International Equity Fund	-	119,183
Greystone Canadian Real Estate Fund	-	58,498
SSgA Canadian Universe Bond Index Fund	-	166,733
SSgA S&P Midcap Index Securities Lending Common Trust Fund	-	51,251
SSgA S&P 500 Index Fund Hedged	-	100,204
CC&L Canadian Q Value Fund	-	<u>108,233</u>
	<u>-</u>	<u>647,712</u>
	<u>\$ -</u>	<u>\$ 1,212,048</u>
Bonds and debentures under securities lending program	\$ -	\$ 19,327
Short-term investments under securities lending program	-	5,943
Equities under securities lending program	-	<u>52,089</u>
	<u>\$ -</u>	<u>\$ 77,359</u>

c) Bonds and debentures

The DCF did not have any bonds and debentures at December 31, 2015. In 2014, the DCF had effective rates ranging between 1.10% to 4.52% and coupon rates of 0.00% to 8.29%. For the RAF, fixed income bonds and debentures have effective rates of 0.00% to 6.90% and coupon rates of 0.00% to 10.60% (2014 - effective rates of 1.10% to 4.52%, coupon rates of 0.00% to 10.12%).

CAPITAL PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

4. Investments (continued)

The carrying value amount is shown by contractual maturity. Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without penalties.

Bonds and debentures term to maturity – carrying value:

	2015			2014		
	Defined Contribution Fund	Retirement Annuity Fund	Total	Defined Contribution Fund	Retirement Annuity Fund	Total
	(thousands of dollars)					
Government of Canada						
Due < 1 year	\$ -	\$ 611	\$ 611	\$ -	\$ -	\$ -
1-5 years	-	1,563	1,563	39,003	1,450	40,453
After 5 years	-	6,378	6,378	13,604	7,082	20,686
Province of Saskatchewan						
1-5 years	-	299	299	-	295	295
After 5 years	-	1,899	1,899	3,101	1,947	5,048
Other provincial						
Due < 1 year	-	905	905	-	1,479	1,479
1-5 years	-	5,445	5,445	839	5,601	6,440
After 5 years	-	19,769	19,769	64,923	20,396	85,319
Foreign						
1-5 years	-	-	-	1,381	-	1,381
Corporate and convertible						
Due < 1 year	-	-	-	12,075	-	12,075
1-5 years	-	-	-	51,864	-	51,864
After 5 years	-	-	-	36,007	-	36,007
	<u>\$ -</u>	<u>\$ 36,869</u>	<u>\$ 36,869</u>	<u>\$ 222,797</u>	<u>\$ 38,250</u>	<u>\$ 261,047</u>

d) Pooled funds

Pooled fund investments are governed by the specific policies instituted by the investment manager for each fund. The Pension Board has reviewed the guidelines for these investments and determined that they are acceptable.

The Plan's units in pooled funds have no fixed interest rate and the returns are based on the success of the fund manager.

i) Greystone Money Market Fund

The Greystone Money Market Fund holds investments in treasury bills, notes and commercial paper.

CAPITAL PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

4. Investments (continued)

e) Short-term investments

These investments are comprised of treasury bills, notes and commercial paper with effective interest rates of 0.50% (2014 – 0.79% to 1.37%). Interest is receivable at maturity.

f) Determination of fair value

The Plan has classified its fair valued financial instrument holdings using a hierarchy that reflects the significance of the inputs used in determining their measurements.

Under this structure, financial instruments recorded at unadjusted quoted prices in active markets for identical assets and liabilities are classified as Level 1. Instruments valued using inputs other than quoted prices that are observable for the asset or liability either directly or indirectly are classified as Level 2. Instruments valued using inputs that are not based on observable market data are classified as Level 3.

The following tables classify the Plan's required financial instruments within a fair value hierarchy:

	2015			Total
	Level 1	Level 2	Level 3	
	(thousands of dollars)			
Short term investments	\$ -	\$ 743	\$ -	\$ 743
Bonds and debentures	-	36,869	-	36,869
Pooled funds	-	458	-	458
	<u>\$ -</u>	<u>\$ 38,070</u>	<u>\$ -</u>	<u>\$ 38,070</u>

	2014			Total
	Level 1	Level 2	Level 3	
	(thousands of dollars)			
Short term investments	\$ -	\$ 50,269	\$ -	\$ 50,269
Bonds and debentures	-	261,047	-	261,047
Pooled fixed income and money market funds	-	210,927	-	210,927
Pooled equity funds	-	378,871	-	378,871
Pooled real estate funds	-	58,498	-	58,498
Equities	368,843	-	-	368,843
	<u>\$ 368,843</u>	<u>\$ 959,612</u>	<u>\$ -</u>	<u>\$ 1,328,455</u>

During the year no investments were transferred between levels.

g) Financial risk management

The investment objectives of the Plan are to maximize retirement wealth; ensure sufficient assets exist to meet future annuity obligations; and to generate sufficient cash flow to meet annuity payments. Due to the long-term horizon of the Plan's obligations, the Plan takes a long-term investment perspective. In order to achieve these goals, the Plan invests in a variety of investments with varying levels and types of risk.

The associated risks include credit risk, market risk and liquidity risk. Changes in these risks can affect the value of investments. These risks are managed by employing an investment policy, which is approved annually by the Pension Board. This policy provides portfolio asset mix guidelines to the Plan's investment managers regarding quality and quantity of fixed income investments, real estate and equity investments. The asset mix helps to reduce the impact of market value fluctuations by requiring investments in different asset classes and in different domestic and foreign markets.

The RAF, has a low risk tolerance and invests predominantly in high quality fixed income investments.

CAPITAL PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

4. Investments (continued)

i) Credit risk

Credit risk arises from the potential for issuers of securities to default on their contractual obligations to the Plan. Credit risk within investments is primarily related to short-term investments, bonds and debentures, and the fixed income pooled funds. The Plan limits credit risk by setting investment restrictions and quality standards within its Statement of Investment Policies and Goals.

The minimum quality standard for government bonds and debentures is "BBB" or equivalent, at the time of purchase. Corporate bonds for RAF must meet a minimum quality standard of "A", at the time of purchase. The Plan's investment policy limits each investment manager's bond portfolio concentration in any one single issuer (and its related companies) to 10% (except for federal and provincial) of their total portfolio. No more than 20% of the market value of a Manager's bond portfolio shall be invested in bonds of foreign issuers. "BBB" holdings cannot exceed 15% of the market value of the bond portfolio.

The following table lists the segregated bond and debenture holdings for both the DCF and RAF by credit rating and identifies their corresponding portfolio weighting.

Credit Rating	2015	%	2014	%
	(thousands of dollars)			
AAA	\$17,873	48.48	\$ 68,187	26.12
AA	18,996	51.52	104,107	39.88
A	-	-	65,944	25.26
BBB	-	-	22,809	8.74
	<u>\$36,869</u>	<u>100.00</u>	<u>\$ 261,047</u>	<u>100.00</u>

The minimum quality standard for individual short-term investments is "R-1" or equivalent rating as rated by a recognized bond rating agency, at the time of purchase.

The value of the fixed income pooled funds is impacted by the credit risk of the underlying investments which is governed by the pooled fund's guidelines.

At December 31, 2015, the Plan's maximum credit risk exposure relates to bonds, debentures and short term investments totaling \$38.07 million. In prior year, the Plan's maximum credit risk exposure related to bonds and debentures, short term investments and money market pooled funds totaled \$525.68 million.

ii) Market risk

Market risk represents the potential for loss from changes in the value of financial instruments. Value can be affected by changes in interest rates, foreign exchange rates and equity prices. Market risk primarily impacts the value of investments.

a) Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's net assets available for benefits and changes in net assets available for benefits. The interest rate risk is managed by investing in fixed income investments that provide cash flows that match payments to annuitants.

At December 31, 2015, the Plan holds 100% (2014 – 39%) in fixed income investments which includes short term investments, bonds and debentures and pooled funds.

Duration is a measure used to estimate the extent market values of fixed income investments change with changes in interest rates. Using this measure, it is estimated that a 100 basis point increase (decrease) in interest rates would decrease (increase) net assets available for benefits by approximately \$3.0 million at December 31, 2015; representing 7.84% (December 31, 2014 – 5.09%) of the fair value of fixed income investments.

CAPITAL PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

4. Investments (continued)

b) Foreign exchange risk

The Plan is exposed to currency risk through the holding of foreign equities, foreign equity pooled funds and foreign bonds and debentures where investment values may fluctuate due to changes in foreign exchange rates. This risk is managed by limiting the amount of investments denoted in foreign currencies and by investing in securities that are strategically distributed over several geographic areas. As well, a portion of the foreign equities investments are hedged against foreign currency fluctuations.

At December 31, 2015, the Plan's foreign currency exposure was \$Nil (2014 - \$140 million) in U.S. equities and bonds and debentures and \$Nil (2014 - \$216.25 million) in equities originating from Europe, Australia, and the Far East (EAFE).

c) Equity price risk

Equities comprise 0% (2014 – 56%) of the Plan's total investments. The individual stock holdings are diversified by geography, industry type and corporate entity. The diversification strategy means the Plan is susceptible to equity price changes in the Canadian, U.S. and EAFE markets.

The key indices that represent these markets are used to measure plan performance. The performance of the Plan's assets invested in these markets will be similar to the performance of the corresponding index.

A change to the Plan's benchmark indices (S&P/TSX Composite Index, S&P 500 Index, S&P 400 Index, and MSCI EAFE Index) at December 31, 2015 would have no impact to the net assets available for benefits.

No one investee or related group of investees represents greater than 10% of the market value of the Plan's common share portfolio. As well, no one holding represents more than 10% of the voting shares of any corporation.

iii) Liquidity risk

Liquidity risk is the risk that the Plan is unable to meet its contractual financial liabilities as they fall due. The Plan's contractual financial liabilities fall under two categories: accounts payable and the provision for annuity obligation.

The Plan's cash resources are managed daily based on anticipated cash flows. The cash requirement for the accounts payable is managed through money market investments, short term investments and contributions to the Plan. The provision for annuity obligation cash requirement is managed through short term investments, bond and debenture interest and investment maturities.

CAPITAL PENSION PLAN
NOTES TO FINANCIAL STATEMENTS

December 31, 2015

4. Investments (continued)

The following table summarizes the estimated contractual maturities of the Plan's financial liabilities at December 31:

	2015			2014		
	Defined Contribution Fund	Retirement Annuity Fund	Total	Defined Contribution Fund	Retirement Annuity Fund	Total
	(thousands of dollars)					
Accounts payable						
Due < 1 year	\$ 528	\$ 506	\$ 1,034	\$ 1,554	\$ 531	\$ 2,085
Prepaid participant contributions						
Due < 1 year	-	-	-	401	-	401
Provision for annuity obligation						
Due < 1 year	-	2,572	2,572	-	2,492	2,492
1-5 years	-	9,635	9,635	-	9,420	9,420
After 5 years	-	18,703	18,703	-	18,840	18,840
	<u>\$ 528</u>	<u>\$ 31,416</u>	<u>\$ 31,944</u>	<u>\$ 1,955</u>	<u>\$ 31,283</u>	<u>\$ 33,238</u>

h) Securities Lending

The Plan's Statement of Investment Policies and Goals allows for the lending of its segregated securities to counterparties in exchange for pledged collateral for the purpose of generating revenue. The Statement also allows this practice to be done from within certain pooled fund investments it holds. For securities held in Canada, the current practice is to obtain collateral of at least 105% of the market value of the securities lent. Acceptable collateral pledged for securities on loan includes cash, readily marketable government bonds, treasury bills, letters of credit, discount notes and banker's acceptances of Canadian chartered banks. In these investments, the fund itself holds title to the individual securities on loan and is subsequently responsible for securing appropriate collateral. The Plan, as a fund unit holder, shares the revenues, gains or losses that result from securities lending with all other unit holders.

At December 31, 2015 the Plan held collateral of \$7.03 million (2014 - \$89.12 million) for the loaned securities.

CAPITAL PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

5. Investment Income

Investment income is comprised of the following:

	2015			2014		
	Defined Contribution Fund	Retirement Annuity Fund	Total	Defined Contribution Fund	Retirement Annuity Fund	Total
	(thousands of dollars)					
Bond and debenture Interest	\$ 3,331	\$ 1,477	\$ 4,808	\$ 12,893	\$ 1,531	\$ 14,424
Short-term interest	411	-	411	859	17	876
Dividends	8,698	2	8,700	17,051	-	17,051
	<u>\$ 12,440</u>	<u>\$ 1,479</u>	<u>\$ 13,919</u>	<u>\$ 30,803</u>	<u>\$ 1,548</u>	<u>\$ 32,351</u>

6. Contributions and Transfers In

Contributions and transfers in are comprised of the following:

	2015			2014		
	Defined Contribution Fund	Retirement Annuity Fund	Total	Defined Contribution Fund	Retirement Annuity Fund	Total
	(thousands of dollars)					
Participants' contributions	\$ 9,480	\$ -	\$ 9,480	\$ 20,326	\$ -	\$ 20,326
Members' contributions	7,810	-	7,810	16,781	-	16,781
Voluntary contributions	867	-	867	3,051	-	3,051
Transfers into the fund	3,235	-	3,235	10,981	-	10,981
Interfund transfers	(69)	69	-	(747)	747	-
	<u>\$ 21,323</u>	<u>\$ 69</u>	<u>\$ 21,392</u>	<u>\$ 50,392</u>	<u>\$ 747</u>	<u>\$ 51,139</u>

7. Withdrawals and Transfers Out

Withdrawals and transfers out are comprised of the following:

	2015			2014		
	Defined Contribution Fund	Retirement Annuity Fund	Total	Defined Contribution Fund	Retirement Annuity Fund	Total
	(thousands of dollars)					
Withdrawals	\$ 3,759	\$ -	\$ 3,759	\$ 42,620	\$ -	\$ 42,620
Transfers to other pension plans*	1,372,437	-	1,372,437	1,899	-	1,899
Payments to Variable Benefit Members	9,200	-	9,200	15,965	-	15,965
Payments to RAF Members	-	2,439	2,439	-	2,493	2,493
Provision for payments to members of the fund	-	-	-	-	8	8
	<u>\$ 1,385,396</u>	<u>\$ 2,439</u>	<u>\$ 1,387,835</u>	<u>\$ 60,484</u>	<u>\$ 2,501</u>	<u>\$ 62,985</u>

Of the \$1,372,437 transfer to other pension plans in 2015, \$1,342,830 transferred to PEPP on June 25, 2015. Subsequent to year end, \$528 thousand included in accounts payable was transferred to PEPP.

CAPITAL PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

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8. Capital Assets

Capital assets at cost less accumulated amortization:

	2015			2014
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	(thousands of dollars)			
Computer equipment and software	\$ -	\$ -	\$ -	\$ 8
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8</u>

9. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Plan by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions, and amounts outstanding at year end, are as follows:

	2015			2014		
	Defined Contribution Fund	Retirement Annuity Fund	Total	Defined Contribution Fund	Retirement Annuity Fund	Total
	(thousands of dollars)					
Participants' contributions	\$ 5,658	\$ -	\$ 5,658	\$ 13,138	\$ -	\$ 13,138
Investment income	105	120	225	215	119	334
Interest and dividends receivable	-	48	48	44	48	92
Contributions receivable	-	-	-	249	-	249

Other transactions and amounts due to and from related parties are described separately in these financial statements and the notes thereto.

10. Provision for Annuity Obligation

The provision for annuity obligation is the actuarial present value of the future expected annuity benefit obligation to pensioners as annually determined as at December 31 by AON Hewitt, an independent actuary. The actuarial valuation is a complex process requiring professional judgment. Measurement of this amount is uncertain, as estimates must be made of future interest rates and mortality rates.

For purposes of this actuarial valuation, a discount rate of 3.50% (2014 – 3.60%) was used. In addition, mortality is assumed to be in accordance with the Final 2014 Canadian Pensioner Mortality Table (Public Sector) adjusted by 50% of the pension size adjustment factor as suggested in the Canadian Institute of Actuaries' Final Canadian Pensioners Mortality Report – February 2014.

Using these actuarial assumptions, if the discount rate used increases by 1%, the provision for annuity obligation decreases by approximately \$2.41 million or if the discount rate used decreases by 1%, the provision for annuity obligation increases by approximately \$2.80 million. If average mortality age increases by 1.0 year the provision for annuity obligation increases by approximately \$1.51 million.

During the year, the Crown Investments Corporation Board of Directors approved the use of a portion of the reported fund surplus at December 31, 2014 to provide eligible RAF participants with an ad hoc indexing pension increase. The increase amount, beginning January 1, 2016, will restore 35% of the percentage increase in Canadian inflation from the time a participants' annuity commenced until December 31, 2012.

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11. Accounts Payable

During the year, management continued the distribution of the reserve fund in accordance with an order received on August 31, 2009 from the Saskatchewan Court of Queen's Bench. Management has reduced its liability by \$0.06 million for a total remaining reserve fund amount of \$0.44 million (2014 – reduced the liability by \$0.39 million, total reserve amount of \$0.50 million) payable to the remaining eligible members of the Plan.

It is expected that the remaining reserve fund balance will be disbursed according to Court direction.

12. Investment Performance

The investments are managed by professional investment managers whose investment performance is measured against objectives established by the Capital Pension Plan Board of Directors as outlined in the Statement of Investment Policies and Goals.

The investment objective is to provide sufficient liquidity to ensure payment to annuitants when due and to ensure long-term solvency of the Fund. The Fund pursues a duration matching investment strategy that immunizes the portfolio from interest rate fluctuations. As a result, there is no benchmark return for the RAF.

The DCF consisted of two investment options available to plan members, the Diversified Fund (DF) and Pre-Retirement Fund (PRF). The transfer to PEPP, resulted in the transfer of all DCF members and assets. As a result, no benchmark return was completed in 2015 for the DF and PRF.

13. Operating Expenses

The costs associated with the Plan's administration are allocated as operating expenses on the statement of changes in net assets available for benefits. The Plan reimburses the Corporation for salaries, DCF employer pension contributions and other benefits incurred as the administrator of the Plan.

	<u>2015</u>	<u>2014</u>
	(thousands of dollars)	
Investment management fees	\$ 1,528	\$ 3,317
Custodial fees	73	190
Salaries and benefits	538	932
Audit fees	8	39
Actuarial fees	8	17
Other administration costs	<u>1,002</u>	<u>524</u>
	<u>3,157</u>	<u>5,019</u>

Salary and benefit costs are attributable to both key management and all other administration personnel. Key management personnel are those persons having the authority to plan, direct and control Plan activities.

	<u>2015</u>	<u>2014</u>
	(thousands of dollars)	
Key management personnel		
Salaries	\$ 198	\$ 310
Defined contribution pension plan	11	19
Other benefits	<u>33</u>	<u>39</u>
	<u>242</u>	<u>368</u>
Other personnel		
Salaries	242	472
Defined contribution pension plan	19	28
Other benefits	<u>35</u>	<u>64</u>
	<u>296</u>	<u>564</u>
	<u>\$ 538</u>	<u>\$ 932</u>

CAPITAL PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

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14. Capital Management

The Plan's capital is its net assets available for benefits and its objective when managing capital is to safeguard the Plan's ability to continue to provide annuity payments to RAF members. The Plan's capital is invested predominantly in high quality fixed income investments and is managed by a professional investment manager whose investment objectives and performance is measured against objectives established by the Capital Pension Plan Board of Directors as outlined in the Statement of Investment Policies and Goals.