Capital Pension Plan




Annual Report for 2022-2023

saskatchewan.ca

Saskatchewan

Table of Contents

Letters of Transmittal

His Honour the Honourable Russ Mirasty, S.O.M., M.S.M.,
Lieutenant Governor of Saskatchewan

May it Please Your Honour:

I respectfully submit the Annual Report of the Capital Pension Plan for the Year Ended March 31, 2023.

Don Morgan

Don Morgan
Minister of Crown Investments

The Honourable Don Morgan
Minister of Crown Investments

Sir:

On behalf of the Capital Pension Plan Board, I have the honour of submitting the Annual Report of the Capital Pension Plan for the Year Ended March 31, 2023.

Chris Buchan

Chris Buchan
Chair

Capital Pension Plan

Introduction

The Capital Pension Plan is a registered pension plan under the *Income Tax Act* (Canada) and *The Pension Benefits Act, 1992* (Saskatchewan).

The Crown Investments Corporation of Saskatchewan (CIC) is the Plan Sponsor and Administrator of the Capital Pension Plan.

Prior to July 1, 2015, the Capital Pension Plan included a Contributory Fund and a Retirement Annuity Fund. On that date, the assets and members in the Contributory Fund were transferred to the Public Employees Pension Plan (PEPP).

The Retirement Annuity Fund continues within the Capital Pension Plan. The purpose of the Retirement Annuity Fund is to provide life annuities to those retired members of the Capital Pension Plan who elected the life annuity form of pension.

The Retirement Annuity Fund was closed to new entrants on July 1, 2015.

Capital Pension Board

CIC has appointed and delegated responsibility for certain of its duties as Plan Sponsor and Administrator to the Capital Pension Board (Pension Board).

At March 31, 2023, the Pension Board was composed of the members listed in *Table 1.1*.

Capital Pension Board Members	
Chris Buchan	Chair
Travis Massier	Member
Alan Fern	Member

Table 1.1

Administrative Services

Under agreement with CIC, the Public Employees Benefits Agency (PEBA) provides administrative services for the Capital Pension Plan. PEBA is part of the Ministry of Finance, Government of Saskatchewan, and administers a wide range of pension and benefit plans.

Termination of the Plan

The Capital Pension Plan's Retirement Annuity Fund (the Plan) was wound up effective October 1, 2022. The Financial and Consumer Affairs Authority of Saskatchewan (FCAA) approved the termination of the Plan and the distribution of the remaining surplus on February 27, 2023. On March 1, 2023, the Crown Investments Corporation of Saskatchewan (CIC or the Corporation), the Plan Sponsor, along with the Capital Pension Plan Board (CPP Board) selected Sun Life as the successful annuity carrier to buy-out the pension obligations of the Plan. Assets in the amount of $19,029,200 were transferred to Sun Life on March 15, 2023. Effective August 2023, Sun Life will begin making monthly annuity payments directly to members of the Plan. All surplus funds will be distributed to the members of the Plan subsequent to Sun Life taking over monthly annuity payments.

Management's Report

To the Members of the Legislative Assembly of Saskatchewan

The Capital Pension Plan Board is composed of three members appointed by the Plan Sponsor, Crown Investments Corporation of Saskatchewan. The Plan Sponsor has delegated administration and operation of the Plan to the Pension Board in accordance with applicable laws.

The financial statements, which follow, have been prepared by management in conformity with Canadian accounting standards for pension plans and have been approved by the Board. Management uses internal controls and exercised its best judgement in order that the financial statements fairly reflect the financial position of the Plan.

The financial statements were audited by KPMG LLP whose report follows.

Regina, Saskatchewan
June 13, 2023

Jeremy Phillips
Assistant Deputy Minister
Public Employees Benefits Agency
Ministry of Finance

Actuarial Opinion

With respect to the Retirement Plan for Employees of Retirement Annuity Fund, we have prepared an extrapolation to March 31, 2023 for the purpose of determining the necessary actuarial information for financial statement reporting in accordance with Section 4600 of the Chartered Professional Accountants of Canada Accounting Handbook (Section 4600). In my opinion, for the purpose of this extrapolation:

- the data on which this extrapolation is based are sufficient and reliable;
- where applicable, the assumptions have been adopted as management's best estimates for accounting purposes;
- the actuarial cost methods and asset valuation methods employed are appropriate; and
- the extrapolation conforms with the requirements of Section 4600.

It is noted that the actual amount of surplus that will be distributed to members of the fund (expected to occur in Q3 of 2023), will be equal to the market value of the fund as of the date of the actual distribution of surplus to members of the fund.

This report has been prepared and this actuarial opinion has been given in accordance with accepted actuarial practice in Canada.

David R. Larsen
Fellow, Society of Actuaries
Fellow, Canadian Institute of Actuaries

June 1, 2023

Capital Pension Plan

Financial Statements
Year Ended March 31, 2023

KPMG

KPMG LLP
Hill Centre Tower II
1881 Scarth Street, 20th Floor
Regina Saskatchewan S4P 4K9
Canada
Telephone (306) 791-1200
Fax (306) 757-4703

INDEPENDENT AUDITOR’S REPORT

To the Members of the Legislative Assembly, Province of Saskatchewan

Opinion

We have audited the financial statements of the Capital Pension Plan (the Plan), which comprise:

- the statement of financial position as at March 31, 2023
- the statement of changes in net assets available for benefits for the year then ended
- the statement of changes in provision for annuity obligations for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Plan as at March 31, 2023, and its changes in net assets available for benefits and its changes in provision for annuity obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **"Auditor’s Responsibilities for the Audit of the Financial Statements**" section of our auditor’s report.

We are independent of the Plan in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Preparation

We draw attention to Note 1(a) to the financial statements which describes that the financial statements are not prepared on a going concern basis of accounting.

Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. Other information comprises:

- the 2023 Annual Report

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statement or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditor's report thereon, included in the 2023 Annual Report document as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Plan or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Plan's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Plan's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Plan's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Regina, Canada
June 13, 2023

Capital Pension Plan **Statement 1**
Statement of Financial Position

	(in thousands)	
	March 31, 2023	**March 31, 2022**
Assets		
Investments (Note 4)	$ -	$ 22,171
Investments Under Securities Lending Program (Note 4)	-	3,442
	-	25,613
Receivables		
Accrued Investment Income	23	285
Other Receivables	-	4
	23	289
Due from General Revenue Fund (Note 5)	3,350	30
Cash	-	13
Total Assets	3,373	25,945
Liabilities		
Administrative Expenses Payable	66	56
Total Liabilities	66	56
Net Assets Available for Benefits	3,307	25,889
Provision for Annuity Obligations (Note 6)	3,307	21,428
Surplus	$ -	$ 4,461

(See accompanying notes to the financial statements)

On behalf of the Board

Chris Boxen ________ Chairman

________ Board Member

Capital Pension Plan **Statement 2**

Statement of Changes in Net Assets Available for Benefits

(in thousands)

	Year Ended March 31, 2023	Year Ended March 31, 2022
Increase in Assets		
Investment Income (Note 4)	$ 923	$ 1,101
Total Increase in Assets	923	1,101
Decrease in Assets		
Annuities	2,185	2,225
Administration Expenses (Note 7)	301	210
Decrease in Fair Value of Investments	1,990	2,126
Purchase of Buy-in Annuity Agreement (Note 1b)	19,029	-
Total Decrease in Assets	23,505	4,561
Decrease in Net Assets	(22,582)	(3,460)
Net Assets Available for Benefits, Beginning of Year	25,889	29,349
Net Assets Available for Benefits, End of Year	$ 3,307	$ 25,889

(See accompanying notes to the financial statements)

Capital Pension Plan **Statement 3**

Statement of Changes in Provision for Annuity Obligations

(in thousands)

	Year Ended March 31, 2023	Year Ended March 31, 2022
Provision for Annuity Obligations, Beginning of Year	$ 21,428	$ 24,840
Increase in Provision for Annuity Obligations:		
Interest on Provision	843	696
Ad Hoc Indexing	2,146	164
Surplus Allocated to Members	3,477	-
Experience on Surplus Allocated to Members	17	-
Total Increase	6,483	860
Decrease in Provision for Annuity Obligations:		
Annuity Payments with Interest	2,206	2,344
Mortality Experience	486	153
Change in Discount Rate	992	1,723
Change in Reserve for Fund Expenses	659	52
Annuity Purchased	19,029	-
Settlement Gain	1,232	-
Total Decrease	24,604	4,272
Provision for Annuity Obligations, End of Year (Note 6)	$ 3,307	$ 21,428

(See accompanying notes to the financial statements)

Capital Pension Plan
Notes to the Financial Statements

March 31, 2023

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* (Canada). The Plan was available to corporations both in the public and private sector (participants) upon approval of the Plan's Board of Directors. The Plan was established to provide members with the option of purchasing a life annuity upon retirement. The Plan was closed to new entrants on July 1, 2015. The Capital Pension Plan Pension Board administers the Plan. Day-to-day administration is provided by the Public Employees Benefits Agency (PEBA). As of October 1, 2022, the Plan was wound up, and as a result, these financial statements are not prepared on a going concern basis.

b) The Capital Pension Plan's Retirement Annuity Fund (the Plan) was wound up effective October 1, 2022. The Financial and Consumer Affairs Authority of Saskatchewan (FCAA) approved the termination of the Plan and the distribution of the remaining surplus on February 27, 2023. On March 1, 2023, the Crown Investments Corporation of Saskatchewan (CIC or the Corporation), the Plan Sponsor, along with the Capital Pension Plan Board (CPP Board) selected Sun Life as the successful annuity carrier to buy-out the pension obligations of the Plan. The Buy-in annuity contract was converted to a Buy-out annuity contract with Sun Life on March 1, 2023. Assets in the amount of $19,029,200 were transferred to Sun Life on March 15, 2023. Effective August 2023, Sun Life will begin making monthly annuity payments directly to members of the Plan. All surplus funds will be distributed to the members of the Plan subsequent to Sun Life taking over monthly annuity payments.

c) Prior to the transfer of assets, the Plan's assets were managed by a professional investment manager whose investment objectives and performance were measured against objectives established by the Capital Pension Plan Board of Directors as outlined in the Statement of Investment Policies and Goals.

d) CIC is the sponsor for the Plan, and as such, is ultimately responsible for any shortfalls that may occur.

2. Basis of Preparation

a) Statement of Compliance

The financial statements have been prepared in accordance with Canadian accounting standards for pension plans as outlined in the CPA Canada Handbook Section 4600, *Pension Plans*. For matters not addressed in Section 4600, International Financial Reporting Standards (IFRS) guidance has been implemented.

The financial statements were authorized and issued on June 13, 2023.

2. Basis of Preparation (continued)

b) Basis of Measurement

These financial statements have been prepared using the historical cost basis except for the following:

- Investments, which are measured at fair value; and

- Provision for annuity obligations, which is measured at the present value.

The fair values of investments are considered to be market value with all gains and losses being recognized through change in fair value. The calculation of fair value is detailed in Note 4.

c) 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.

3. Significant Accounting Policies

The accounting policies considered significant are as follows:

a) Basis of Accounting

These financial statements are prepared on the historical cost 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.

b) Investments

Investments are stated at fair value. The change in the fair value of investments at the beginning and end of each year is reflected in the Statement of Changes in Net Assets Available for Benefits as the change in fair value of investments.

Fair value of investments is determined as follows:

- Bonds and debentures are valued at year-end quoted prices from recognized security dealers; and

- Pooled funds are based on the quoted market value of the underlying investments.

c) Investment Income and Investment Transactions

Investment income is recorded on the accrual basis. Investment transactions are recorded on the trade date.

d) Provision for Annuity Obligations

The provision for annuity obligations represents the present value of the annuities underwritten and is determined pursuant to an annual actuarial valuation.

3. Significant Accounting Policies (continued)

Any resulting change in the provision for annuity obligations pursuant to the valuation is recognized as an increase or decrease in that year's Statement of Changes in Provision for Annuity Obligations.

e) Other Financial Instruments

Receivables, due from General Revenue Fund, cash and administrative expenses payable are classified and measured at amortized cost. Due to their short-term nature, the amortized cost of these instruments approximates their fair value.

f) 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 at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and changes in estimates are recorded in the accounting period in which they are determined.

4. Investments

The carrying values of the Plan's investments are as follows:

	Market Value (in thousands)	
	March 31, 2023	**March 31, 2022**
Bonds and Debentures	$ -	$ 20,601
Pooled Funds	-	1,570
	-	22,171
Investments Under Securities Lending		
Bonds and Debentures	-	3,442
	$ -	$ 25,613

Investment income is comprised of the following:

	Year Ended March 31, 2023	**Year Ended March 31, 2022**
Bond and Debenture Interest	$ 921	$ 1,095
Security Lending	2	1
Other	-	5
	$ 923	$ 1,101

4. Investments (continued)

Bonds and Debentures

As of March 31, 2023, the Plan did not hold any bond and debenture investments.

In 2022, the carrying value amount of the Plan's bonds 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 at March 31, 2022:

March 31, 2022 (in thousands)

Years to Maturity	**Federal**	**Provincial**	**Total Market Value**	**Coupon Rate**	**Effective Interest Rate**
Under 1	$ 546	$ 488	$ 1,034	0.00% - 9.25%	4.81%
1 to 5	868	5,045	5,913	0.00% - 9.00%	6.35%
Over 5	3,056	14,040	17,096	0.00% - 8.00%	3.18%
Market Value	$ 4,470	$ 19,573	$ 24,043		

Pooled Funds

As of March 31, 2023, the Plan did not hold any pooled fund investments.

In 2022, pooled-fund investments were governed by the specific policies instituted by the investment manager for each fund. The Plan's units in pooled funds had no fixed interest rate and the returns are based on the success of the fund manager. The Plan was invested in the TD Emerald Canadian Treasury Management – Government of Canada Fund, which held investments in treasury bills and notes issued by the federal and provincial governments and their agencies.

Fair Value

The Plan has classified its required fair-valued financial instrument holdings using a hierarchy that reflects the significance of the inputs used in determining their measurements. Under the classification 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 included in Level 1 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.

As of March 31, 2023, the plan did not hold any investments. As of March 31, 2022, all investments were classified at level 2.

5. Due from General Revenue Fund

The Plan's bank account is included in the Consolidated Offset Bank Concentration (COBC) arrangement for the Government of Saskatchewan.

6. Provision for Annuity Obligations

The actuarial value of the obligations of the fund as of March 31, 2023 is equal to the value of the surplus that has been allocated to members. This value has been set equal to the market value of the assets of the fund at March 31, 2023.

For purposes of this extrapolation, a discount rate of 4.40 per cent (2022 – 3.85 per cent) was used. In addition, mortality is assumed to be in accordance with the Canadian Combined Pensioner Mortality Table with the CPM B Improvement Scale. In 2022, mortality was assumed to be in accordance with the 2014 Canadian Pensioner Mortality Table (Public Sector) adjusted by 50 per cent of the pension size adjustment factor as suggested in the Canadian Institute of Actuaries' Final Canadian Pensioners Mortality Report – February 2014.

The actuarial value of the fund's obligations as of March 31, 2023 is equal to the market value of the assets at that same date. As a result, the actuarial value of the fund's obligations does not depend on actuarial assumptions and as such there is no sensitivity analysis on actuarial assumptions that is applicable as of March 31, 2023. Further to this, the net assets available for benefits as at March 31, 2023 is equal to the liability at that date and by definition there is no surplus or deficit. As such there is also no applicable sensitivity analysis on the surplus or deficit position of the fund as of March 31, 2023.

7. Administration Expenses

The annual operating expenditures associated with the Plan's administration are paid to the Public Employees Benefits Agency Revolving Fund except for custodial fees and investment management fees, which are paid directly to the custodian and investment manager.

(in thousands)

	Year Ended March 31, 2023	Year Ended March 31, 2022
Investment Management Fees	$ 23	$ 30
Custodial Fees	8	8
Audit Fees	16	16
Actuarial Fees	159	71
Other Administration Costs	95	85
	$ 301	$ 210

8. Financial Risk Management

As of March 31, 2023, the Plan did not hold any investments.

Prior to the transfer of assets to Sun Life, the investment objectives of the Plan were to structure the investment portfolio so that the net assets dedicated for annuity payments were immune to changes in the level of interest rates, to 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 took a long-term investment perspective. In order to achieve these goals, the Plan invested in a variety of investments with varying levels and types of risk.

8. Financial Risk Management (continued)

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. The asset mix helps to reduce the impact of market value fluctuations by requiring investments in different asset classes and in different domestic markets.

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

Credit risk

Credit risk is the risk that one party does not pay funds owed to another party. The Plan's credit risk arises primarily from two distinct sources: receivables and investments. The maximum credit risk to which it is exposed at March 31, 2023, is limited to the carrying value of the financial assets summarized as follows:

	(in thousands)	
	March 31, 2023	**March 31, 2022**
Receivables	$ 23	$ 289
Investments[1]	-	24,043
Due from General Revenue Fund	3,350	30
Cash	-	13

[1]Includes bonds and debentures under security lending.

Credit risk related to cash is limited because the counterparties are chartered banks with high credit ratings assigned by national credit rating agencies.

Receivables are primarily made up of accrued investment income. Accrued investment income is received on the next scheduled payment date, generally either annually or semi-annually.

In 2022, credit risk within investments is primarily related to bonds and debentures. 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 the Plan 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 per cent (except for federal and provincial) of their total portfolio. "BBB" government bonds may not be purchased if the purchase would raise the "BBB" government holdings to more than 15 per cent of the market value of the bond portfolio.

8. Financial Risk Management (continued)

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

	(in thousands)			
Credit Rating	**March 31, 2023**	**%**	**March 31, 2022**	**%**
AAA	$ -	-	$ 4,470	18.59
AA	-	-	16,784	69.81
A	-	-	2,789	11.60
	$ -	-	$ 24,043	100.00

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. Market risk primarily impacts the value of investments.

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.

As of March 31, 2023, the Plan was not exposed to interest rate risk as the Plan did not hold any fixed income investments (2022 – 100 per cent in fixed income investments which includes bonds and debentures and pooled funds.)

In 2022, the Plan was exposed to changes in interest rates in its fixed income investments, including 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 $1.74 million at March 31, 2022; representing 6.78 per cent of the $25.61 million fair value of fixed income investments.

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: administrative expenses payable and the provision for annuity obligations.

8. Financial Risk Management (continued)

Securities Lending

Prior to the transfer of assets, the Plan's Statement of Investment Policies and Goals allowed for the lending of its segregated securities to counterparties in exchange for pledged collateral for the purpose of generating revenue. The Statement also allowed 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 102 per cent 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 Plan itself held title to the individual securities on loan and was subsequently responsible for securing appropriate collateral. The Plan, as a fund unit holder, shared the revenues, gains or losses that result from securities lending with all other unit holders.

As the Plan did not hold any investment as at March 31, 2023 and no longer participated in the security lending program no collateral was held. At March 31, 2022, the Plan held collateral of $3.62 million for the loaned securities.

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"). Costs charged by the Public Employees Benefits Agency Revolving Fund in administering the Plan are reflected in these financial statements.

As of March 31, 2023, the Plan did not hold Province of Saskatchewan Bonds (2022 - $0.22 million). Investment gains on the bonds held prior to disposal, including the current period change in the market value of investments, was $0.01 million (2022 - $0.06 million).

The Plan has a payable balance as at March 31, 2023, of $0.06 million (2022 – $0.04 million) due to the Public Employees Benefits Agency Revolving Fund.

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

10. Investment Performance

On March 15, 2023 all investment assets were transferred to Sun Life.

Prior to the investments being transferred, the investments were 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 was to provide sufficient liquidity to ensure payment to annuitants when due and to ensure long-term solvency of the Plan. The Plan pursued a duration matching investment strategy that immunizes the portfolio from interest rate fluctuations. As a result, there is no benchmark return for the Plan.

11. 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 its members. Prior to the transfer of assets, the Plan's capital was invested predominantly in high quality fixed income investments and was managed by a professional investment manager whose investment objectives and performance were measured against objectives established by the Capital Pension Plan Board of Directors as outlined in the Statement of Investment Polices and Goals.