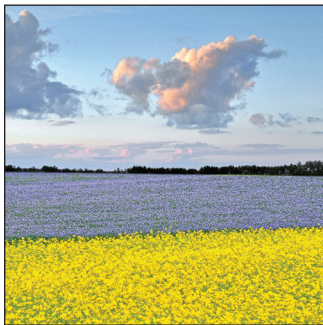


Capital Pension Plan



Annual Report for 2017

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Letters of Transmittal

His Honour, The Honourable W. Thomas Molloy
Lieutenant Governor of the Province of Saskatchewan

May it Please Your Honour:

I respectfully submit the Annual Report of the
Capital Pension Plan for the year ending December 31, 2017.



Joe Hargrave
Minister of Crown Investments

The Honourable Joe Hargrave
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 ending
December 31, 2017.



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 December 31, 2017, 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.

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 provision for annuity obligation is determined by an actuarial valuation. Actuarial valuation reports require best estimate assumptions about future events and require approval by management.

The financial statements were examined by Deloitte LLP whose report follows.

Regina, Saskatchewan
March 23, 2018

A handwritten signature in black ink, appearing to read 'Dave Wild', with a stylized flourish at the end.

Dave Wild
Associate Deputy Minister
Public Employees Benefits Agency
Ministry of Finance

Actuarial Opinion

With respect to the Capital Pension Plan, I have prepared an actuarial valuation as at December 31, 2017 for the purpose of determining the necessary actuarial information for financial statement reporting in accordance with Section 4600 of the CPA Canada Handbook.

In my opinion, for the purpose of this actuarial valuation:

- the data on which this valuation is based are sufficient and reliable;
- the assumptions have been adopted by management as their best estimates for accounting purposes and, in my opinion, are appropriate for the purpose of the valuation;
- the actuarial cost methods, asset valuation methods and extrapolation methods employed are appropriate; and
- the valuation conforms with the requirements of Section 4600 of the CPA Canada Handbook.

Nonetheless, emerging experience differing from the assumptions will result in gains or losses which will be revealed in subsequent valuations.



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

February 16, 2018

Capital Pension Plan

Financial Statements

Year Ended December 31, 2017

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, 2017, and the statement of changes in net assets available for benefits and the statement of changes in provision for annuity obligations for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Administrator's Responsibility for the Financial Statements

The Administrator 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 the Administrator 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 the Administrator, 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, 2017, 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.



Chartered Professional Accountants
Licensed Professional Accountants

March 23, 2018
Regina, Saskatchewan

**Capital Pension Plan
Statement of Financial Position**

Statement 1


As At December 31

	(in thousands)	
	<u>2017</u>	<u>2016</u>
Assets		
Investments (Note 4)	\$ 22,632	\$ 26,040
Investments Under Securities Lending Program (Note 4)	<u>11,183</u>	<u>9,555</u>
	<u>33,815</u>	<u>35,595</u>
Accrued Investment Income	218	226
Due from General Revenue Fund (Note 5)	56	36
Cash	<u>21</u>	<u>43</u>
Total Assets	<u>34,110</u>	<u>35,900</u>
Liabilities		
Administrative Expenses Payable	72	75
Court Application Payable (Note 11)	187	315
Provision for Annuity Obligations (Note 6)	<u>27,825</u>	<u>29,254</u>
Total Liabilities	<u>28,084</u>	<u>29,644</u>
Net Assets Available For Benefits (Statement 2)	\$ <u>6,026</u>	\$ <u>6,256</u>

(See accompanying notes to the financial statements)

On behalf of the Board

 Chairman

 Board Member

Capital Pension Plan
Statement of Changes in Net Assets Available for Benefits

Statement 2

Year Ended December 31

	(in thousands)	
	2017	2016
Increase in Assets		
Investment Income (Note 9)	\$ 1,372	\$ 1,419
Change in Provision for Annuity Obligations (Note 6)	<u>1,429</u>	<u>1,656</u>
Total Increase in Assets	<u>2,801</u>	<u>3,075</u>
Decrease in Assets		
Annuities	2,508	2,554
Administration Expenses (Note 7)	260	248
Change in Fair Value of Investments	<u>263</u>	<u>943</u>
Total Decrease in Assets	<u>3,031</u>	<u>3,745</u>
Decrease in Net Assets	(230)	(670)
Net Assets Available for Benefits, Beginning of Year	<u>6,256</u>	<u>6,926</u>
Net Assets Available for Benefits, End of Year (Statement 1)	\$ <u><u>6,026</u></u>	\$ <u><u>6,256</u></u>

(See accompanying notes to the financial statements)

Capital Pension Plan
Statement of Changes in Provision for Annuity Obligations

Statement 3

Year Ended December 31

	(in thousands)	
	2017	2016
Provision for Annuity Obligations, Beginning of Year	\$ <u>29,254</u>	\$ <u>30,910</u>
Increase in Provision for Annuity Obligations:		
Interest on Provision	994	1,082
Change in Discount Rate	<u>446</u>	<u>239</u>
	<u>1,440</u>	<u>1,321</u>
Decrease in Provision for Annuity Obligations:		
Annuity Payments with Interest	2,596	2,683
Mortality Experience	265	256
Change in Reserve for Fund Expenses	8	26
Change in Mortality Assumption	<u>-</u>	<u>12</u>
	<u>2,869</u>	<u>2,977</u>
Provision for Annuity Obligations, End of Year (Note 6)	\$ <u>27,825</u>	\$ <u>29,254</u>

(See accompanying notes to the financial statements)

Capital Pension Plan

Notes to the Financial Statements

December 31, 2017

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).
- 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 administration of the Plan has been transferred to PEBA.
- c) The Plan's 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.
- 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.

2. Basis of Preparation

- a) Statement of Compliance

The financial statements for the year ended December 31, 2017, 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 23, 2018.

- b) 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.

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 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.

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 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.
- 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.

Any resulting change in the provision for annuity obligations pursuant to the valuation is recognized in the statement of changes in net assets available for benefits.

e) Future Accounting Policy Changes

Certain new standards, amendments to standards and interpretations, are not yet effective for the year ended December 31, 2017, and have not been applied in preparing these financial statements.

IFRS 9, Financial Instruments, which replaces IAS 39 Financial Instruments: Recognition and Measurement, and includes guidance on the classification and measurement of financial instruments, impairment of financial assets, and a new general hedge accounting model. The standard is effective for annual periods beginning on or after January 1, 2018.

IFRS 16, Leases, which replaces IAS 17 Leases. This standard provides guidance for the appropriate accounting policies and disclosures for both the lessee and lessor. The standard is effective for annual periods beginning on or after January 1, 2019.

The extent of the impact of the adoption of these standards is not known at this time, but is not expected to be material.

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. The most significant estimation process is related to the actuarial determination of the provision for annuity obligations (Note 6).

g) Financial Assets and Liabilities

Financial assets classified as held-for-trading are measured at fair value and changes in fair value are recognized in the statement of changes in net assets available for benefits. Investments and Due from General Revenue Fund are designated as held-for-trading. For Due from General Revenue Fund, its fair value is determined at cost which approximates market value.

Receivables, court application payable and administrative expenses payable are measured at amortized cost. Due to their short-term nature, the amortized cost of these instruments approximates their fair value.

4. Investments

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

	(in thousands)	
	2017	2016
Short-Term	\$ 254	\$ -
Bonds and Debentures	22,193	25,727
Pooled Funds	185	313
	<u>\$ 22,632</u>	<u>\$ 26,040</u>
Investments Under Securities Lending:		
Short-Term	-	1,154
Bonds and Debentures	11,183	8,401
	<u>\$ 33,815</u>	<u>\$ 35,595</u>

Short-Term Investments

Short investments are comprised of treasury bills, notes and commercial paper with an average term to maturity of 67 days (2016 – 54 days) and an effective interest rate of 1.0 per cent (2016 – 0.40 per cent). Interest is receivable at maturity.

Bonds and Debentures

The Plan's investment policy states that federal and provincial government bonds and debentures must meet a minimum quality standard of "BBB" as rated by a recognized credit rating service. "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. No more than 10 per cent of the market value of the bond portfolio may be invested in corporate bonds.

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:

2017 (in thousands)					
Years to Maturity	Federal	Provincial	Total Market Value	Coupon Rate	Effective Interest Rate
Under 1	\$ 607	\$ 661	\$ 1,268	5.50% - 6.50%	5.84%
1 to 5	2,225	5,108	7,333	0.00% - 10.10%	4.49%
Over 5	4,468	20,307	24,775	0.00% - 9.00%	3.68%
Market Value	\$ 7,300	\$ 26,076	\$ 33,376		

2016 (in thousands)

Years to Maturity	Federal	Provincial	Total Market Value	Coupon Rate	Effective Interest Rate
Under 1	\$ -	\$ 1,775	\$ 1,775	0.00% - 6.50%	4.71%
1 to 5	2,221	4,794	7,015	0.00% - 10.13%	3.58%
Over 5	5,372	19,966	25,338	0.00% - 9.60%	3.38%
Market Value	<u>\$ 7,593</u>	<u>\$ 26,535</u>	<u>\$ 34,128</u>		

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

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.

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

2017 (in thousands)

	Level 1	Level 2	Level 3	Total
Short-Term	\$ -	\$ 254	\$ -	\$ 254
Bonds and Debentures	-	33,376	-	33,376
Pooled Funds	-	185	-	185
Total	<u>\$ -</u>	<u>\$ 33,815</u>	<u>\$ -</u>	<u>\$ 33,815</u>

2016 (in thousands)				
	Level 1	Level 2	Level 3	Total
Short-Term	\$ -	\$ 1,154	\$ -	\$ 1,154
Bonds and Debentures	-	34,128	-	34,128
Pooled Funds	-	313	-	313
Total	<u>\$ -</u>	<u>\$ 35,595</u>	<u>\$ -</u>	<u>\$ 35,595</u>

During the year no investments were transferred between levels.

5. Due from General Revenue Fund

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

The Plan's earned interest is calculated and paid by the General Revenue Fund on a monthly basis to the Plan's bank account using the Government's thirty-day borrowing rate and the Plan's bank account balance. The Government's average thirty-day borrowing rate for the current year was 0.70 per cent (2016 – 0.55 per cent).

6. 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 3.20 per cent (2016 – 3.40 per cent) was used. In addition, mortality is assumed to be in accordance with the Final 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.

Using these actuarial assumptions, if the discount rate used increases by one percent, the provision for annuity obligation decreases by approximately \$2.10 million (2016 - \$2.24 million) or if the discount rate used decreases by one percent, the provision for annuity obligation increases by approximately \$2.44 million (2016 - \$2.60 million). If average mortality age increases by one year the provision for annuity obligation increases by approximately \$1.48 million (2016 - \$1.50 million).

7. Administrative 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)	
	2017	2016
Investment Management Fees	\$ 39	\$ 35
Custodial Fees	23	22
Audit Fees	22	35
Actuarial Fees	16	41
Other Administration Costs	160	115
	<u>\$ 260</u>	<u>\$ 248</u>

8. Financial Risk Management

The investment objectives of the Plan are to structure the investment portfolio so that the net assets dedicated for annuity payments are 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 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 Plan, has a low risk tolerance and invests predominantly in high quality fixed income investments.

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 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.

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

Credit Rating	(in thousands)			
	2017	%	2016	%
AAA	\$12,175	36.48	\$ 12,577	36.85
AA	14,926	44.72	13,854	40.60
A	6,275	18.80	7,697	22.55
	<u>\$33,376</u>	<u>100.00</u>	<u>\$ 34,128</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, which the Plan is compliant with.

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, 2017, the Plan’s maximum credit risk exposure relates to bonds and debentures, short-term investments and money market pooled funds totaling \$33.82 million (2016 – 35.60 million).

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.

At December 31, 2017, the Plan holds 100 per cent (2016 – 100 per cent) 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 \$2.87 million at December 31, 2017; representing 8.43 per cent (December 31, 2016 – 7.52 per cent) of the 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: 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 and short-term investments. The provision for annuity obligation cash requirement is managed through short-term investments, bond and debenture interest and investment maturities.

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

	2017	2016
Accounts Payable		
Due < 1 year	\$ 259	\$ 390
Provision for		
Annuity Obligation		
Due < 1 year	2,396	2,490
1-5 years	8,847	9,257
After 5 years	<u>16,582</u>	<u>17,507</u>
	<u>\$ 28,084</u>	<u>\$ 29,644</u>

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 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 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, 2017, the Plan held collateral of \$11.76 million (2016 - \$10.04 million) for the loaned securities.

9. Investment Income

Investment income is comprised of the following:

	2017	2016
Bond and Debenture		
Interest	\$ 1,370	\$ 1,416
Short-Term Interest	<u>2</u>	<u>3</u>
	<u>\$ 1,372</u>	<u>\$ 1,419</u>

10. 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.

The Plan holds \$1.7 million (2016 - \$1.8 million) in Province of Saskatchewan Bonds. Investment gains on these bonds, including the current period change in the market value of investments, was \$0.1 million (2016 - \$0.1 million). Included within accrued investment receivable is \$0.05 million (2016 - \$0.05 million) relating to Province of Saskatchewan Bonds.

The Plan has an accounts payable balance as at December 31, 2017, of \$0.05 million (2016 – \$0.05 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.

11. Court Application 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 \$0.12 million for a total remaining reserve fund amount of \$0.19 million (2016 – reduced the liability by \$0.14 million, total reserve amount of \$0.31 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 Plan. The Plan pursues a duration matching investment strategy that immunizes the portfolio from interest rate fluctuations. As a result, there is no benchmark return for the Plan.

13. 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. 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.

14. Subsequent Events

In the fiscal 2018 year, Capital Pension Plan will be changing its year end from December 31 to March 31. The next year end will be a 15 month reporting period of January 1, 2018 to March 31, 2019.