Capital Pension Plan




Annual Report for 2018-2019

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Saskatchewan

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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 15 Month Period Ended March 31, 2019.

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 15 Month Period Ended March 31, 2019.

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, 2019, 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 KPMG LLP whose report follows.

Regina, Saskatchewan
June 28, 2019

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

Actuarial Opinion

With respect to the Retirement Annuity Fund I have prepared an actuarial valuation as at March 31, 2019 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 and the asset valuation methods employed in this report are appropriate; and
- the valuation conforms to 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

April 30, 2019

Capital Pension Plan

Financial Statements

15 Month Period Ended March 31, 2019

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 AUDITORS' REPORT

To the Members of the Legislative Assembly 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, 2019;
- the statement of changes in net assets available for benefits for the fifteen month period then ended;
- the statement of changes in provision for annuity obligations for the fifteen month period then ended; and
- 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 Capital Pension Plan as at March 31, 2019, and its changes in net assets available for benefits and its changes in provision for annuity obligations for the fifteen month period 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 "*Auditors' Responsibilities for the Audit of the Financial Statements*" section of our auditors' 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.

Other Matter – Comparative Information

The financial statements for the year ended December 31, 2017 were audited by another auditor who expressed an unmodified opinion on those financial statements on March 23, 2018.

Other Information

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

- 2019 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 auditors' report thereon, included in the 2019 Annual Report document as at the date of this auditors' 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 auditors' 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 the 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.

Auditors' 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 auditors' 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 auditors' 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 auditors' report. However, future events or conditions may cause the Plan to cease to continue as a going concern.
- 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

June 28, 2019
Regina, Canada

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

	(in thousands)	
	March 31, 2019	**December 31, 2017**
Assets		
Investments (Note 4)	$ 20,322	$ 22,632
Investments Under Securities Lending Program (Note 4)	11,877	11,183
	32,199	33,815
Receivables		
Accrued Investment Income	351	218
Other Receivables	4	-
	355	218
Due from General Revenue Fund (Note 5)	55	56
Cash	15	21
Total Assets	32,624	34,110
Liabilities		
Administrative Expenses Payable	58	72
Court Application Payable (Note 10)	134	187
Total Liabilities	192	259
Net Assets Available For Benefits (Statement 2)	32,432	33,851
Provision for Annuity Obligations (Note 6)	25,581	27,825
Surplus	$ 6,851	$ 6,026

(See accompanying notes to the financial statements)

On behalf of the Board

Chris Bowen
____________________ Chairman

Travis Massier
____________________ Board Member

Capital Pension Plan

Statement of Changes in Net Assets Available for Benefits

Statement 2

(in thousands)

	15 Month Period Ended March 31, 2019	Year Ended December 31, 2017
Increase in Assets		
Investment Income (Note 4)	$ 1,584	$ 1,372
Change in Fair Value of Investments	182	-
Total Increase in Assets	1,766	1,372
Decrease in Assets		
Annuities	2,964	2,508
Administration Expenses (Note 7)	221	260
Change in Fair Value of Investments	-	263
Total Decrease in Assets	3,185	3,031
Decrease in Net Assets	(1,419)	(1,659)
Net Assets Available for Benefits, Beginning of Year	33,851	35,510
Net Assets Available for Benefits, End of Year (Statement 1)	$ 32,432	$ 33,851

(See accompanying notes to the financial statements)

Capital Pension Plan **Statement 3**

Statement of Changes in Provision for Annuity Obligations

Year Ended

(in thousands)

	15 Month Period Ended March 31, 2019	**Year Ended December 31, 2017**
Provision for Annuity Obligations, Beginning of Year	$ 27,825	$ 29,254
Increase in Provision for Annuity Obligations:		
Interest on Provision	1,113	994
Change in Discount Rate	201	446
Change in Reserve for Fund Expenses	6	-
	1,320	1,440
Decrease in Provision for Annuity Obligations:		
Annuity Payments with Interest	3,113	2,596
Mortality Experience	451	265
Change in Reserve for Fund Expenses	-	8
	3,564	2,869
Provision for Annuity Obligations, End of Year (Note 6)	$ 25,581	$ 27,825

(See accompanying notes to the financial statements)

March 31, 2019

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 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.

c) 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) Change in Year End

The Plan changed its year end from December 31 to March 31 to align with the Crown Investment Corporation year end. The current period is a 15 month reporting period from January 1, 2018 to March 31, 2019 compared to a 12 month reporting year in the previous year (January 1, 2017 to December 31, 2017). As a result, information contained in the financial statements may not be comparable with the previously reported information.

b) 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 28, 2019.

c) **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.

d) **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.

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:

- Short-term investments are valued at cost which, together with accrued investment income, approximates fair value given the short-term nature;
- 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.

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) **Other Financial Instruments**

Accounts receivable, Due from General Revenue Fund and accounts 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.
The most significant estimation process is related to the actuarial determination of the provision for annuity obligations (Note 6).

g) **Accounting Policy Changes**

Effective January 1, 2018, the Plan adopted the new standard, IFRS 9, Financial Instruments, replacing IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 includes guidance on the classification and measurement of financial instruments, impairment of financial assets, and a new general hedge accounting model.

The adoption of this new standard did not result in any significant financial impact or change in the financial statement presentation.

4. Investments

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

	Market Value (in thousands) March 31, 2019	Market Value (in thousands) December 31, 2017
Short-Term	$ 84	$ 254
Bonds and Debentures	20,081	22,193
Pooled Funds	157	185
	$ 20,322	$ 22,632
Investments Under Securities Lending		
Short-Term	$ 95	$ -
Bonds and Debentures	11,782	11,183
	11,877	11,183
	$ 32,199	$ 33,815

Investment income is comprised of the following:

	15 Month Period Ended March 31, 2019	Year Ended December 31, 2017
Bond and Debenture Interest	$ 1,580	$ 1,370
Short-Term Interest	4	2
	$ 1,584	$ 1,372

Short-Term Investments

Short-term investments are comprised of treasury bills as of March 31, 2019 (2017 included treasury bills, notes and commercial paper) with an average term to maturity of 39 days (2017 – 67 days) and effective interest rates of 1.7 per cent to 1.8 per cent (2017 – 1.0 per cent). Interest is receivable at maturity.

Bonds and Debentures

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:

March 31, 2019 (in thousands)

Years to Maturity	Federal	Provincial	Total Market Value	Coupon Rate	Effective Interest Rate
Under 1	$ -	$ 1,135	$ 1,135	0.00% - 4.10%	1.32%
1 to 5	2,632	4,686	7,318	0.00% - 10.13%	5.43%
Over 5	3,868	19,542	23,410	0.00% - 9.00%	3.49%
Market Value	$ 6,500	$ 25,363	$ 31,863		

December 31, 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		

Pooled Funds

Pooled-fund investments are governed by the specific policies instituted by the investment manager for each fund. 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 TD 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 Plan presently holds only financial instruments that are classified as Level 2. During the period 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 15 month period ending March 31, 2019 was 1.47 per cent (2017 – 0.70 per cent).

6. Provision for Annuity Obligations

The provision for annuity obligations is the actuarial present value of the future expected annuity benefit obligation to pensioners as annually determined as at March 31, 2019, by AON Hewitt Inc., 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 3.10 per cent (2017 – 3.20 per cent) was used. In addition, mortality is 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.

Using these actuarial assumptions, if the discount rate used increases by one percent, the provision for annuity obligation decreases by approximately $1.88 million (2017 - $2.10 million) or if the discount rate used decreases by one percent, the provision for annuity obligation increases by approximately $2.18 million (2017 - $2.44 million). If average mortality age increases by one year the provision for annuity obligation increases by approximately $1.41 million (2017 - $1.48 million).

The cash outflow to pay the required annuity obligation is calculated using the above assumptions. The cash outflows in the next year is expected to be $2.3 million, in the next one to five years $8.3 million and in the over five year is $15.0 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) 15 Month Period Ended March 31, 2019	Year Ended December 31, 2017
Investment Management Fees	$ 41	$ 39
Custodial Fees	28	23
Audit Fees	18	22
Actuarial Fees	18	16
Other Administration Costs	116	160
	$ 221	$ 260

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 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. 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.

(in thousands)

Credit Rating	March 31, 2019	%	December 31, 2017	%
AAA	$ 10,835	34.01	$ 12,175	36.48
AA	14,894	46.74	14,926	44.72
A	6,134	19.25	6,275	18.80
	$ 31,863	100.00	$ 33,376	100.00

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.

At March 31, 2019, the Plan's maximum credit risk exposure relates to bonds and debentures, and short-term investments $32.04 million (2017 – $33.63 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 March 31, 2019, the Plan holds 100 per cent (2017 – 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 $2.68 million at March 31, 2019; representing 8.24 per cent (2017 – 8.43 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.

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 March 31, 2019, the Plan held collateral of $12.47 million (2017 - $11.76 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.

The Plan holds $1.6 million (2017 - $1.7 million) in Province of Saskatchewan Bonds. Investment gains on these bonds, including the current period change in the market value of investments, was $0.18 million (2017 - $0.1 million). Included within accrued investment receivable is $0.02 million (2017 - $0.05 million) relating to Province of Saskatchewan Bonds.

The Plan has an accounts payable balance as at March 31, 2019, of $0.04 million (2017 – $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.

10. Court Application Payable

During the period, 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 $0.05 million for a total remaining reserve fund amount of $0.13 million (2017 – reduced the liability by $0.12 million, total reserve amount of $0.19 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.

11. 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.

12. 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 Polices and Goals.

13. Comparative Information

Certain comparative information has been reclassified to conform to this period's presentation.