

Saskatchewan Teachers' Superannuation Commission



Annual Report Group Life Insurance Plan for 2018-19

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This annual report is available in electronic format at www.stsc.gov.sk.ca

Letter of Transmittal

The Honourable Gordon Wyant, Q.C.
Minister in Charge
Teachers' Superannuation Commission

Sir:

The Teachers' Superannuation Commission has the honour to submit the Annual Report outlining activities under *The Teachers' Group Life Insurance Plan* for the year ending August 31, 2019.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Dr. Derwyn Crozier-Smith". The signature is fluid and cursive, with a large initial "D" and "C".

Dr. Derwyn Crozier-Smith
Chairperson

2018 – 2019 Annual Report

The Saskatchewan Teachers' Superannuation Commission
129 – 3085 Albert Street
Regina, Saskatchewan S4S 0B1

submits the:

Eleventh Annual Report (including financial statements)
under separate cover with respect to
*The Teachers' Life Insurance (Government
Contributory) Act Chapter T-8, R.S.S. 1978*
for the Year Ended August 31, 2019

Activities with respect to this Plan were previously reported
without financial statements within the Teachers' Superannuation
Commission's Annual Report since the Plan's inception on
September 1, 1960

Teachers' Superannuation Commission

The Teachers' Superannuation Commission (TSC, the Commission) is established under *The Teachers Superannuation and Disability Benefits Act*.

The Minister of Finance is the trustee of the Teachers' Superannuation Fund (TSF) while the TSC is charged with administration of *The Teachers Superannuation and Disability Benefits Act*, *The Teachers' Dental Plan Act*, and *The Teachers' Life Insurance (Government Contributory) Act*.

Mission

The Commission's mission is to provide pensions and benefits for plan members through prudent stewardship of assets and liabilities and effective plan administration in accordance with current legislation.

Mandate

To attain this outcome, our organizational mandate is to administer the various Acts to ensure the provision of retirement and negotiated benefits to teachers.

The various Acts (and regulations thereto) are:

- *The Teachers Superannuation and Disability Benefits Act*
- *The Teachers' Life Insurance (Government Contributory) Act*
- *The Teachers' Dental Plan Act*

The TSC is not subject to the *Pension Benefits Act, 1992* except in relation to investments.

Objectives

Our specific objectives associated with this organizational mandate as they relate to the Teachers' Group Life Insurance (the Plan) are:

- Communicate information and guidance to plan members
- Maintain appropriate financial records of the affairs of the Plan
- Maintain accurate records for insured members
- Administer the insurance claims associated with death and dismemberment in conjunction with the service carrier.

Accountability

The TSC issues this annual report including audited financial statements.

Teachers' Superannuation Commission

Commission Members

The TSC is responsible to the Minister in Charge for the administration of *The Teachers Superannuation and Disability Benefits Act*, who at present is also the Minister of Education (the Minister).

The TSC consists of seven members appointed by the Lieutenant Governor in Council:

- Three members are nominated by the Saskatchewan Teachers' Federation (STF) executive committee
- Three members are nominated by the Minister
- A Chairperson is nominated by the other six members

Appointments are typically for a term of five years and are eligible for reappointment.

Effective March 19, 2019, Doug Schell resigned from the Commission. Mr. Schell was appointed to the Commission effective December 5, 2012.

To fill the vacancy resulting from Mr. Schell's resignation, Ms. Kathy Deck, Director of Financial Analysis and Reporting was nominated by the Ministry of Education to serve on the Commission. The formal appointment of Ms. Deck to the Commission is pending.

The Commission gratefully recognizes the contributions of Mr. Schell.

Commission member role and responsibilities

- Fulfill the mission statement
- Administer the Plans in compliance with governing legislation
- Promote awareness and understanding of the Plans
- Monitor management and administration of the Plans
- Report annually to the Minister responsible for the Commission

Commission members as at August 31, 2019 with background credentials are:

Derwyn Crozier-Smith, B.Ed., B. A., M.Ed., Ph.D. Chairperson Former STF General Secretary (Retired), Former STF Executive Assistant Term Expires – May 18, 2021	
Clint Repski, B.Admin, CPA-CA Assistant Deputy Minister Ministry of Education Term Expires – November 1, 2023	Murray Wall, B.Ed., B.Sc., M.Ed. Senior Administrative Staff (Retired) Saskatchewan Teachers' Federation Term Expires – September 4, 2019
Dustin Antonini, CPA-CGA Director of Public Investments Saskatchewan Healthcare Employees' Pension Plan Term Expires – September 23, 2020	Laurel Irving Piot, B.Ed., P.G.D., M.Ed. Senior Administrative Staff (Retired) Saskatchewan Teachers' Federation Term Expires – April 27, 2022
	Rob Lehne, B.Ed. Senior Administrative Staff Saskatchewan Teachers' Federation Term Expires – March 15, 2023

Teachers' Superannuation Commission

Administration

The TSC employs an Executive Director and staff required for administration of the various legislation and commission policies and is independent from management.

The administrative team represents 12.0 full time equivalent employees. The administrative team also highlight certain policy decision items to the Commission members, including relevant recommendations, and respond to requests for information or onward execution as requested by Commission members.

Administration works very closely and cooperatively with the Saskatchewan Teachers' Federation to ensure seamless delivery of consistent, high-quality services to teachers across the province.

Management formally communicates to Commission members on the operational activities at the regularly scheduled meetings, in addition to ad-hoc communications on various matters.

The \$1.3 million operating budget of the Commission is paid out of monies appropriated by the Legislature.

The Commission acknowledges with sincere appreciation, the administrative team whose efforts resulted in another successful year of service to the membership.

The Commission also expresses its appreciation to the Saskatchewan Teachers' Federation, the school divisions and regional colleges and the administrative staff within the Ministry of Education for their respective contributions to the success of the Commission.

Consultants

When required, legal consultation is provided by either the Ministry of Justice or private legal counsel. Legal advice provided to the Commission ensures all legal obligations are fulfilled.

Specialized information technology services are provided by ESTI Consulting Services to ensure the critical group insurance and backbone network systems are securely maintained.

Teachers' Group Life Insurance Plan

Introduction

The Teachers' Group Life Insurance Plan is a special purpose fund established September 1, 1960 and is administered by the Saskatchewan Teachers' Superannuation Commission under *The Teachers' Life Insurance (Government Contributory) Act* and *The Teachers' Life Insurance Regulations*.

The Plan provides basic life insurance coverage at the commencement of employment to active teachers without a medical examination. The coverage is automatically renewed every year. At retirement, members can elect to continue insurance coverage which reduces at age 65 until age 85.

The teachers' Provincial Collective Bargaining Agreement (PCBA) sets out the amount of coverage teachers will receive. Active Teachers pay 50% of their premium each month and the General Revenue Fund – Ministry of Finance pays 50% of the premium. The premiums are established each year by Sun Life Assurance Company of Canada (Sun Life of Canada) on an annual basis. The Plan also collects a premium for accidental death and dismemberment (AD&D) coverage. Superannuated teachers, Secretaries, Treasurers, Secretary-Treasurers and Superintendents of administration are responsible for 100% of the premiums required.

The coverage for both term life insurance and AD&D is based on twice the maximum salary of a Class VI teacher as set out in the salary grid pursuant to the teachers' PCBA. The most recent collective agreement for the period of September 1, 2017 to August 31, 2019 was signed effective October 3, 2018.

Superannuated teachers between the ages of 65 to 85 who continued to be enrolled in the life insurance plan following retirement have both term life insurance and AD&D based on 10% of the insurance coverage provided to teachers age 65 and under. Post age-65 superannuate coverage for term life and AD&D will be indexed to 10% of the term life insurance and AD&D whenever the pre-age 65 insurance coverage increases.

Insurance Carrier

The Plan is administered under the terms of a Financial Letter of Understanding with Sun Life of Canada. Sun Life provides claims adjudication and benefit payment services to the Plan under Group Insurance Contract No. 83974.

At August 31, 2019, there were 22,227 insured members (2018 – 22,114).

Teachers' Group Life Insurance Plan

The Teachers' Group Life Insurance Plan was started September 1, 1960 to provide group life insurance coverage for the following:

- Teachers employed under contract with a Board of Education, a private school, a regional college or Saskatchewan Polytechnic prior to 1998
- Teachers employed under a temporary contract for a term of at least 20 teaching days, effective March 24, 1998
- Teachers employed on a full-time basis by the Saskatchewan Teachers' Federation or the Saskatchewan School Boards Association in positions requiring the professional qualifications and experience of a teacher
- Person employed on a full-time basis with a Board of Education whose position requires the professional qualifications of a teacher
- Person holding a valid teacher certificate issued by Saskatchewan Professional Teachers' Regulatory Board and employed on a full-time basis with a Board of Education as Secretary, Treasurer, Secretary-Treasurer, Assistant Secretary, Assistant Treasurer or Assistant Secretary-Treasurer, or by the Saskatchewan School Boards Association in a position requiring these qualifications but not a person employed on a temporary or substitute basis
- Teachers who are disabled, have the option to continue insurance coverage until they attain the age of 65
- Retired teachers receiving an allowance on the grounds of age and service under the Teachers' Superannuation Plan or the Saskatchewan Teachers' Retirement Plan, provided the insurance has been continuous. The teacher is responsible for all premiums for continued coverage and such eligibility ceases at age 65
- Retired teachers between the age of 65 and 85 receiving an allowance on the grounds of age and service under the Teachers' Superannuation Plan or the Saskatchewan Teachers' Retirement Plan, at a reduced amount of insurance, provided the insurance coverage has been continuous
- Retired Secretary, Treasurer, Secretary-Treasurer, Assistant Secretary, Assistant Treasurer or Assistant Secretary-Treasurer receiving an allowance under the Municipal Employees' Pension Plan, provided the insurance coverage has been continuous. The insured is responsible for all premiums for continued coverage

Teachers' Group Life Insurance Plan

Highlights

As at August 31	2018 – 19	No.	2017 – 18	No.
Premiums:				
Minister of Finance	\$2,330,010		\$2,170,883	
Members	5,038,421		4,676,217	
Total Premiums	<u>\$7,368,431</u>		<u>\$6,847,100</u>	
Amounts withheld from school grants	Nil		Nil	
Contributions from members on approved leave (included in member premiums above)	\$61,589		\$60,311	
Total number of death claims		116		120
Total amount of death claims	\$4,736,800		\$5,383,100	
Claims Fluctuation Reserve held in Trust	\$1,265,279		\$876,366	
Deposit Fund Reserve held in Trust	\$6,841,421		\$5,373,949	
Amounts paid for conversion of insurance	\$22,700		\$107,593	
Total number of members insured		22,227		22,114
Total Insurance in force	<u>\$3,350,615,100</u>		<u>\$3,384,558,200</u>	

Term life insurance and AD&D coverage was \$191,000 from September 1, 2018 to August 30, 2019 and increased to \$193,000 effective August 31, 2019 (2017/18 - \$191,000). Life insurance and AD&D coverage for superannuates age 65 to 85 from September 1, 2018 to August 30, 2019 was \$19,100 and increased to \$19,300 effective August 31, 2019 (2017/18 - \$19,100).

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Teachers' Group Life Insurance Plan Management Report, 2019

The management of the Teachers' Superannuation Commission is responsible for the integrity of the accompanying financial statements and all other information in this Annual Report. In Canada, it is the responsibility of management to prepare financial statements in accordance with Canadian generally accepted accounting principles.

The integrity of the financial records from which these financial statements are prepared is largely dependent on the systems of internal accounting controls. The purpose of such systems is to provide reasonable assurance that transactions are executed in accordance with proper authorization, transactions are appropriately recorded in order to permit preparation of financial statements and assets are properly accounted for and safeguarded against loss from unauthorized use. Underlying this concept of reasonable assurance is the fact that limitations exist in any system of internal accounting controls based on the premise that the cost of such controls should not exceed the benefits derived there from.

The financial statements have been audited by the Provincial Auditor of Saskatchewan. The report to the Members of the Legislative Assembly, stating the scope of the examination and opinion on the financial statements, appears on page 12 and 13.

The financial statements have been examined and approved by the Commission.



Doug Volk, BA (Econ), PPAC
Executive Director



Sharlene Arklie, FCPA, FCGA
Senior Manager, Financial Operations

Regina, Saskatchewan
December 11, 2019



INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

Opinion

We have audited the financial statements of the Teachers' Group Life Insurance Plan (Plan), which comprise the statement of financial position as at August 31, 2019, and the statements of operations and change in net assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Plan as at August 31, 2019, and the results of its operations, changes in its net assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 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 Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do 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 and, in doing so, consider whether the other information is materially inconsistent with the financial statements or any knowledge obtained in the audit, or otherwise appears to be materially misstated. 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 this 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 public sector accounting standards for Treasury Board's approval, 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 these 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. 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.

We 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 identified during the audit.

Regina, Saskatchewan
December 11, 2019

Judy Ferguson, FCPA, FCA
Provincial Auditor
Office of the Provincial Auditor

Teachers' Group Life Insurance Plan
Statement of Financial Position

Statement 1

As at August 31

	<u>2019</u>	<u>2018</u>
Financial Assets		
Cash	\$ 1,090,276	\$ 987,166
Receivable from General Revenue Fund (Note 3)	420,503	415,963
Premiums receivable from Teachers	59,813	48,316
Receivable from Sun Life (Note 4)	<u>8,106,700</u>	<u>6,250,315</u>
Total Assets	<u>\$ 9,677,292</u>	<u>\$ 7,701,760</u>
Liabilities		
Current Liabilities:		
Premiums payable to Sun Life	\$ 1,570,594	\$ 1,451,446
Claims payable (Note 5)	<u>1,561,110</u>	<u>1,081,700</u>
	3,131,704	2,533,146
Provision for life insurance benefits (Note 5)	<u>-</u>	<u>138,300</u>
Total Liabilities	<u>3,131,704</u>	<u>2,671,446</u>
Net Assets and Accumulated Surplus (Statement 2)	<u>\$ 6,545,588</u>	<u>\$ 5,030,314</u>

(See accompanying notes to the financial statements)

Teachers' Group Life Insurance Plan
Statement of Operations and Change in Net Assets

Statement 2

Year Ended August 31

	<u>Budget</u>	<u>2019</u>	<u>2018</u>
Revenues			
Premiums:			
Group life term	\$ 6,300,000	\$ 6,326,378	\$ 5,810,893
Accidental death & dismemberment	1,025,000	1,042,053	1,036,207
Change in provision for disabled life waiver (Note 7)	(20,000)	11,373	(30,142)
Change in provision for life insurance benefits	-	138,300	(138,300)
Interest income	20,000	58,466	22,849
	<u>7,325,000</u>	<u>7,576,570</u>	<u>6,701,507</u>
Expenses			
Claims (Note 5)	5,921,000	4,736,800	5,383,100
Premiums to Sun Life for accidental death & dismemberment	1,025,000	1,042,053	1,036,207
Administration	150,000	124,435	152,086
Premium taxes (Note 6)	185,000	135,308	182,197
Conversion charges	40,000	22,700	107,593
	<u>7,321,000</u>	<u>6,061,296</u>	<u>6,861,183</u>
Operating Surplus (Deficit) for the year	<u>\$ 4,000</u>	1,515,274	(159,676)
Net Assets and Accumulated Surplus, beginning of year		<u>5,030,314</u>	<u>5,189,990</u>
Net Assets and Accumulated Surplus, end of year (Statement 1)		<u>\$ 6,545,588</u>	<u>\$ 5,030,314</u>

(See accompanying notes to the financial statements)

**Teachers' Group Life Insurance Plan
Statement of Cash Flows**

Statement 3

Year Ended August 31

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Surplus (Deficit) for the year	\$ 1,515,274	\$ (159,676)
Changes in non-cash working capital:		
(Increase) in receivable from General Revenue Fund	(4,540)	(221,815)
(Increase) in premiums receivable from Teachers	(11,497)	(4,182)
(Increase) Decrease in receivable from Sun Life	(1,856,385)	722,176
Increase in premiums payable to Sun Life	119,148	612,639
(Decrease) in Provincial Sales Tax payable on premiums	-	(11,168)
(Decrease) Increase in provision for life insurance benefits	(138,300)	138,300
Increase (Decrease) in claims payable	479,410	(700,800)
	<u>\$ (1,412,164)</u>	<u>\$ 535,150</u>
Net cash provided by operating activities	103,110	375,474
Cash, beginning of year	<u>987,166</u>	<u>611,692</u>
Cash, end of year (Statement 1)	<u>\$ 1,090,276</u>	<u>\$ 987,166</u>

(See accompanying notes to the financial statements)

Teachers' Group Life Insurance Plan

Notes to the Financial Statements

August 31, 2019

1. Description of the Plan

The Teachers' Group Life Insurance Plan (the Plan) is administered by the Saskatchewan Teachers' Superannuation Commission under *The Teachers' Life Insurance (Government Contributory) Act* and *The Teachers' Life Insurance Regulations*. The Plan provides term life insurance coverage at the commencement of employment without a medical examination to teachers or those deemed to be teachers employed on a full-time basis by the Saskatchewan Teachers' Federation, the Saskatchewan School Boards Association, the Regional Colleges of Saskatchewan and Saskatchewan Polytechnic. Teachers who are disabled have the option to continue insurance coverage until they attain the age of 65. The coverage is automatically renewed every year. At retirement, members can elect to continue insurance coverage which reduces at age 65 until age 85.

The Plan is administered under the terms of an agreement with Sun Life Assurance Company of Canada ("Sun Life"). All claims are adjudicated and processed for payment with Sun Life. The arrangement with Sun Life is to provide administrative services for processing claims with the Plan being responsible for unreported claims except for Accidental Death and Dismemberment (AD&D) claims and group life claims made by disabled members who have elected to waive their premiums. The Plan pays a premium to Sun Life to receive AD&D coverage for members and has no further liability. Annually, the Plan also pays Sun Life the expected claim costs for disabled members who have waived their premiums. The Plan pays general and claims administration fees to Sun Life pursuant to the agreement. Conversion charges are charged to the Plan when a policy member under age 66 has terminated their policy and makes application for an individual policy under the terms of the conversion clause.

The Provincial Collective Bargaining Agreement (PCBA) sets out the amount of coverage teachers will receive. Active Teachers pay 50% of their premium each month and the General Revenue Fund – Ministry of Education pays 50% of the premium. The premiums are set by Sun Life on an annual basis. The Plan also collects a premium for AD&D coverage. The coverage for both term life insurance and AD&D is based on twice the maximum salary of a Class VI teacher as set out in the salary grid pursuant to the teachers' PCBA. The most recent collective agreement for the period of September 1, 2017 to August 31, 2019 was signed effective October 3, 2018.

Effective September 1, 2015, life insurance coverage for post-age 65 superannuates was increased to index both the term life and AD&D coverage at a rate of 10% of the pre-age 65 coverage. Prior to 2015, AD&D coverage was not applicable for superannuates age 65 to 85. Term life insurance and AD&D coverage was \$191,000 from September 1, 2018 to August 30, 2019 and increased to \$193,000 effective August 31, 2019 (2017/18 - \$191,000). Life insurance and AD&D coverage for superannuates age 65 to 85 from September 1, 2018 to August 30, 2019 was \$19,100 and increased to \$19,300 effective August 31, 2019 (2017/18 - \$19,100).

Superannuated teachers, Secretaries, Treasurers, Secretary-Treasurers and Superintendents of administration are responsible for 100% of the premiums required. The preceding information is a summary of the Plan and further details can be found in the Plan text.

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian public sector accounting standards. These statements do not include a Statement of Remeasurement Gains or Losses as the Plan has no activities that give rise to remeasurement gains or losses. As a result, its accumulated surplus is the same as its accumulated operating surplus. The following accounting policies are considered significant:

a) Premium Revenue

Premiums are recognized when due.

b) Claims Payable

Group Life policies are considered yearly termed life policies that are automatically renewed every year. Under such life policies, claims are recorded in the year of the claim. Claims payable includes a provision for life insurance benefits which represents an estimated amount for claims incurred but not reported (IBNR).

The provision for life insurance benefits is subject to uncertainty and is selected from a range of possible outcomes. Adjustments to the provisions for life insurance benefits are made as additional information becomes available. The provision for life insurance benefits is determined using an estimated IBNR reserve factor. Any resulting change in the liability pursuant to the estimation is recognized as a change in claims expense in the Statement of Operations and Change in Net Assets.

c) Claims Expense

Claims are recognized in the year they are incurred. Claims expense includes payments arising from life claims received during the year and an accrual for life claims received after the year end for fatalities that occurred during the year.

d) Cash

Cash consists of balances with the bank.

e) Use of Estimates

These statements are prepared in conformity with Canadian public sector accounting standards. These standards require management to make best estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates. Differences are reflected in current operations when identified.

The primary measurement uncertainty arising from the use of estimates which may affect reported amounts, relates to the valuation of the provision of life insurance benefits – see Note 5.

f) Financial Instruments

Changes in fair value are recognized in the Statement of Operations and Change in Net Assets. Receivables and payables are measured at amortized cost. The carrying value of financial instruments approximate their fair value due to their short-term nature.

g) Future Accounting Pronouncements

Certain new standards, amendments to standards and interpretations are not yet effective for the year ended August 31, 2019 and have not been applied in preparing these financial statements. In particular, PS 3400, Revenue, which will apply to fiscal years beginning on or after April 1, 2022. The extent of the impact of adoption of this standard is not known at this time.

3. Receivable from General Revenue Fund

The receivable from General Revenue Fund consists of premiums receivable of \$420,519 (2018 - \$415,963) offset by \$16 (2018 - \$nil) payable to the General Revenue Fund.

4. Receivable from Sun Life of Canada

The receivable from Sun Life of Canada consists of the Claims Fluctuation Reserve and the Deposit Fund Reserve receivables. Each receivable is outlined below. According to the agreement between the Teachers' Group Life Insurance Plan and Sun Life of Canada, two reserves have been established for the Plan.

Claims Fluctuation Reserve

The Claims Fluctuation Reserve was established to maintain a minimum balance to cover deficits incurred in a given Plan year. 50% of the available Plan year surplus determined on the cash basis under retention accounting, plus 100% of the interest allocated to the Claims Fluctuation Reserve, will be transferred until such time that the balance in this reserve is equal to 20% of the Plan year premium. The interest rate applied to this reserve balance is equal to the average of the three middle one-year GIC rates issued by the five largest Canadian chartered banks in the month of investment. The interest rate paid to the claims fluctuation reserve for the year ended August 31, 2019 was 1.20% (August 31, 2018 – 0.87%) and amounted to \$10,987 (August 31, 2018 – \$10,173). The amount receivable from Sun Life at August 31, 2019 was \$1,265,279 (August 31, 2018 – \$876,366).

Deposit Fund Reserve

Sun Life maintains a Contract Holder-owned deposit account to hold undistributed refunds of surplus. Amounts held in this account are available to the Teachers' Superannuation Commission upon request. Interest is credited on any account balance carried forward at a rate equal to the monthly average of the 90-day Treasury Bill rates auctioned during the Plan Year as published in the Bank of Canada Review, less 0.5%. The interest rate paid to the deposit fund reserve for the year ended August 31, 2019 was 1.15% (August 31, 2018 – 0.59%) and amounted to \$45,794 (August 31, 2018 – \$11,717). The amount receivable from Sun Life at August 31, 2019 was \$6,841,421 (August 31, 2018 – \$5,373,949).

Reserves upon termination of the Agreement with Sun Life

Upon termination of the agreement, Sun Life will prepare a terminal accounting report on a cash basis for the Plan and the final charge to the Plan for the waiver of premiums. Any remaining surplus is added to the Claims Fluctuation Reserve or is transferred to the Deposit Fund Reserve and then refunded to the Commission.

5. Claims Payable

Claims payable includes a provision for life insurance benefits and is determined by applying an IBNR reserve factor to group life term premiums received within the year less any claims payable and outstanding at the end of the year. The IBNR reserve factor is an estimation factor based on an aggregate of IBNR claims determined by calendar month over a three year period.

The total provision for life insurance benefits IBNR claims as at August 31, 2019 is \$nil (August 31, 2018 - \$138,300).

6. Premium Taxes

Premium taxes are provincial taxes remitted by the carrier on behalf of the Plan to each of the provincial or federal governments based on the premium tax rates established in that jurisdiction. The average tax rate is calculated based on the percentage of members in each province or country. The average premium tax rate charged by the Plan for the year ended August 31, 2019 was 2.98% (August 31, 2018 – 2.98%).

7. Change in Provision for Disabled Life Waiver

The Plan is required to pay Sun Life the cost of the change in provision for the disabled life waiver, which is the estimated group life insurance benefits payable in respect of each person with a disability claim incurred on or before August 31, who waived their payment of premiums. The change in the provision for disabled life waiver is recorded in the Statement of Operations and Change in Net Assets.

The amount held by Sun Life for the provision for disabled life waiver at August 31, 2019 was \$129,007 (August 31, 2018 – \$140,380).

8. Financial Risk Management

The nature of the Plan's operations results in a statement of financial position that consists primarily of financial instruments. The risks that arise from these instruments are credit risk, liquidity risk and market risk in the form of interest rate risk.

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 receivables. The maximum credit risk to which it is exposed at August 31, 2019 is limited to the carrying value of the financial assets summarized below:

	<u>2019</u> <u>Carrying Value</u>	<u>2018</u> <u>Carrying Value</u>
Receivable from General Revenue Fund	420,503	415,963
Premiums receivable from Teachers	59,813	48,316
Receivable from Sun Life	8,106,700	6,250,315

The receivable from General Revenue Fund consists of government matching contributions and bears no risk as they are statutory in nature. Premiums receivable from teachers are generally received within 30 days. The Plan is exposed to minimal credit risk from the potential non-payment of accounts receivable as all premiums receivable from school divisions can be withheld from future grants allocated by the Ministry of Education.

Receivables from Sun Life are held in trust. Sun Life has been rated as A+ (Superior) by the rating agency AM Best. An A+ (Superior) rating is assigned to companies who, in their opinion, are considered to have a superior ability to meet their ongoing responsibilities. Therefore, the Plan is exposed to minimal credit risk with the current receivables from Sun Life.

Liquidity Risk

Liquidity risk is the risk that the Plan is unable to meet its financial obligations as they fall due. Premiums are transferred to Sun Life in the month following receipt of the teacher/member premiums. The General Revenue Fund's share of the premiums are requested at that time.

Pursuant to the agreement and *The Teachers' Life Insurance (Government Contributory) Act*, if there is a deficit at the end of the fiscal period and there are no funds to draw from within the receivable from Sun Life in either the Claims Fluctuation Reserve or the Deposit Fund Reserve, then the Plan has the option of increasing premiums for the next premium year.

The amounts receivable from Sun Life can be drawn from the Claims Fluctuation Reserve to cover deficits in the year incurred. The amounts receivable from Sun Life can be drawn from the Deposit Fund at the Plan's request at any given time.

Market Risk - Interest Rate Risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Plan. The value of the Plan's assets and liabilities is minimally affected by short-term changes in nominal interest in its interest bearing accounts receivable and payables.

9. Related Party Transactions

These financial statements include transactions with related parties. The Plan is related to all Saskatchewan Crown agencies such as ministries, corporations, boards and commissions under the common control of the Government of Saskatchewan as well as key management personnel and their close family members. Also, the Plan is related to non-Crown enterprises that the Government jointly controls as well as key management personnel and/or their close family members in common.

Administration

In accordance with the Act, one half of the premiums for active teachers are requested through the Minister of Finance and paid directly to Sun Life. The Teachers' Superannuation Commission is responsible for the collection of the group term life insurance and AD&D premiums from the school divisions as well as for their subsequent remittance to Sun Life.

The Ministry of Education pays the Teachers' Superannuation Commission for the administration of the Plan. No expenses are paid out of the Plan to the Teachers' Superannuation Commission for this administration. However, the Plan is responsible for the payment of general and claims administration fees to Sun Life as described in Note 1. Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

10. Comparative Figures

Certain prior year balances have been reclassified to conform with the current year's financial statement presentation.

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