CITY OF SASKATOON GENERAL SUPERANNUATION PLAN FINANCIAL STATEMENTS December 31, 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the City of Saskatoon General Superannuation Plan

We have audited the accompanying financial statements of the City of Saskatoon General Superannuation Plan, which comprise the statement of financial position as at December 31, 2013, and the statement of changes in net assets available for benefits and the statement of changes in pension obligations for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the City of Saskatoon General Superannuation Plan as at December 31, 2013, and the changes in its net assets available for benefits and the changes in pension obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

Chartered Accountants
Saskatoon, Saskatchewan
June 4, 2014

CITY OF SASKATOON
GENERAL SUPERANNUATION PLAN
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31

(in thousands of dollars)	2013	2012
ASSETS		
Accounts Receivable		
Plan Sponsor	1,522	1,087
Investment income	833	890
Unsettled investment sales	-	173
Other	23	18
	2,378	2,169
Investments (note 3)	654,031	553,851
	656,409	556,020
LIABILITIES		
Bank overdraft	1,251	798
Accounts Payable	224	205
	1,475	1,003
NET ASSETS AVAILABLE FOR BENEFITS	654,934	555,017
PENSION OBLIGATIONS (note 5)	600,866	569,886
PENSION SURPLUS (DEFICIT)	54,068	(14,869)

See accompanying notes to the financial statements.

CITY OF SASKATOON
GENERAL SUPERANNUATION PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED DECEMBER 31

(in thousands of dollars)	**2013**	2012
INCREASE IN ASSETS		
Investment Income	18,029	20,078
Gain in Fair Value of Investments	90,985	37,608
	109,014	57,686
Employee Contributions - current and past service	12,341	11,781
Transfers From Other Plans	960	605
Employer Contributions	11,969	11,506
	25,270	23,893
	134,284	81,579
DECREASE IN ASSETS		
Retirement Benefits Paid	27,578	24,617
Refund of Contributions	1,103	1,426
Death Benefits Paid	362	841
Transfers To Other Plans	3,163	2,855
Administration Expenses (note 7)	2,161	1,803
	34,367	31,542
INCREASE IN ASSETS AVAILABLE FOR BENEFITS	99,917	50,037
NET ASSETS AVAILABLE FOR BENEFITS - BEGINNING OF YEAR	555,017	504,980
NET ASSETS AVAILABLE FOR BENEFITS - END OF YEAR	654,934	555,017

See accompanying notes to the financial statements.

CITY OF SASKATOON
GENERAL SUPERANNUATION PLAN
STATEMENT OF CHANGES IN PENSION OBLIGATIONS
FOR THE YEAR ENDED DECEMBER 31

(in thousands of dollars)	2013	2012
INCREASE IN PENSION OBLIGATIONS		
Interest accrued on benefits	39,591	38,366
Accrued pension benefits	22,635	24,221
	62,226	62,587
DECREASE IN PENSION OBLIGATIONS		
Benefit payments	31,246	29,134
Change in actuarial assumptions	-	28,932
Experience gains	-	5,480
	31,246	63,546
NET INCREASE (DECREASE) IN PENSION OBLIGATIONS	30,980	(959)
PENSION OBLIGATIONS - BEGINNING OF YEAR	569,886	570,845
PENSION OBLIGATIONS - END OF YEAR	600,866	569,886

See accompanying notes to the financial statements.

CITY OF SASKATOON
GENERAL SUPERANNUATION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(in thousands of dollars)

1. DESCRIPTION OF THE PLAN

The following description of the City of Saskatoon General Superannuation Plan (the "Plan") is a summary only. For more complete information, reference should be made to the Plan Agreement in the City of Saskatoon Bylaw 8226.

(a) General

The Plan is a contributory defined benefit pension plan covering all employees of the City of Saskatoon, except those employees covered under the Police, Firefighters and Seasonal/Part-Time Superannuation Plans, and those members listed in the Plan Bylaw. Under the Plan, contributions are made by the Plan members and the City of Saskatoon. The Plan is registered under The Pension Benefits Act, 1992 (Saskatchewan): registration #0234237.

(b) Funding Policy

The Pension Benefits Act, 1992 (Saskatchewan) requires that the City of Saskatoon, being the Plan sponsor, must fund benefits determined under the Plan. The determination of the value of these benefits is made on the basis of the most recently filed actuarial valuation (see note 5). The Funding Policy is described in note 6.

(c) Service Pensions

A service pension is normally available based on the number of years of contributory service times 2% of a member's average earnings for a determined period; and adjusted for Canada Pension Plan benefits for certain periods of past and future service. Early retirement options are available with reduced benefits in certain circumstances.

(d) Disability Provisions

Periods during which a member is in receipt of worker's compensation, sick bank or long-term disability insurance benefits count as contributory service. Earnings applied in the pension formula include deemed earnings for a member in receipt of such disability benefits.

(e) Death Benefits

In the event of death of an active member before retirement, the Plan provides for payment to the spouse of a married member or the designated beneficiary of a single member, equal to the greater of:
(i) two times the member's accumulated contributions with interest, or
(ii) the commuted value of the member's pension earned to the date of death.

(f) Survivors' Pensions

The normal form of pension provides that payments will be made to the member for the member's lifetime with 60% of the pension otherwise payable continuing to the surviving spouse upon the member's death. In any event, payments to the member and spouse are guaranteed to be made for at least 60 months.

(g) Termination Benefits

Upon termination of employment prior to becoming vested, a member will receive a refund of all their contributions with interest. Following vesting, the member will also receive the vested portion of the City of Saskatoon's contributions based upon service and earnings to the date of termination. Vesting occurs once a member completes two years of service.

1. DESCRIPTION OF THE PLAN (continued)

(i) Income Taxes

The Plan is a Registered Pension Trust as defined in the Income Tax Act and is not subject to income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

These financial statements are prepared in accordance with Canadian accounting standards for pension plans. 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. These financial statements do not portray the funding requirements of the Plan or the benefit security of individual plan members.

(b) Valuation of investment assets and liabilities

Investment assets and liabilities are stated at their fair values in the Statement of Financial Position. Fair value is the amount for which an asset can be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. If the financial instrument has a quoted price in an active market, the quoted price is the fair value of the financial instrument. If the market for a financial instrument is not active, fair value is established by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, that technique is used. A valuation technique incorporates all factors that market participants would consider in setting a price. Fair value is estimated on the basis of the results of a valuation technique that makes maximum use of market inputs, and relies as little as possible on entity-specific inputs.

Fair Value Hierarchy

Investment assets and investment liabilities are classified and disclosed in one of the following categories reflecting the significance of inputs used in making the fair value measurement:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

If different levels of inputs are used to measure the fair value of an investment, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. See Note 4(vii) for this disclosure.

(c) Trade date accounting

Purchases and sales of financial instruments are recorded on their trade dates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Interest and dividends on investments and changes in fair value of investments
Interest and dividends from investments in money market instruments, bonds, equities, pooled funds and mortgages are recorded separately from the change in fair value of such investments as investment income in the Statement of Changes in Net Assets Available for Benefits. Interest, dividends, and distributions from pooled funds are recorded on the accrual basis. Dividend income is accrued as of the ex-dividend date.

The change in fair value of investments includes both the realized gains and losses on the sale of investments during the year and the unrealized gains and losses on investments at the end of the year. The realized and unrealized gains and losses are determined using the average cost basis.

(e) Transaction costs
All transaction costs in respect of purchases and sales of investments are expensed as part of purchase or sale transaction in the Statement of Changes in Net Assets Available for Benefits.

(f) Foreign Exchange
Transactions denominated in foreign currencies are translated into Canadian dollars at the rates of exchange in effect on the dates of the transactions. At each reporting date, the market value of foreign currency denominated assets and liabilities is translated using the rates of exchange at that date. The resulting gains and losses from changes in these rates are recorded as part of the change in fair value of investments in the Statement of Changes in Net Assets Available for Benefits.

(g) Contributions
Contributions due to the Plan are recorded on an accrual basis. Transfers to the Plan and purchases of prior service are recorded when cash is received.

(h) Benefits
Payments of pensions, refunds and transfers out of the Plan are recorded in the period in which they are paid.

(i) Pension obligations
The value of accrued pension benefits payable in the future to members and changes therein during the year are based on an actuarial valuation prepared by an independent firm of actuaries. This valuation for accounting purposes is made as at year end. It uses the projected benefit method pro-rated on service and best estimate assumptions, as at the valuation date, of various economic and non-economic future events. The differences between the financial statement surplus/deficit resulting from this accounting valuation and the regulatory surplus/deficit resulting from the triennial valuation for funding purposes is explained in Note 5.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Use of Estimates

Preparation of the financial statements requires management to make estimates and assumptions, based on the information available as at the date of the financial statements, which affect the reported values of assets and liabilities, and related income and expenses. Such estimates and assumptions affect primarily the value of recorded pension obligation, the fair value of investment assets and investment liabilities. Actual results could differ from those presented.

(k) Accounting Policy Changes

The Plan adopted IFRS 13, Fair Value Measurement, on a prospective basis effective January 1, 2013. IFRS 13 is a comprehensive standard on how to measure fair values. The measurement requirements under IFRS 13 were applied consistently to the fair value of all investment assets and had no impact on the fair values of the investment assets.

(l) Future Accounting Changes

IAS 32, Financial Instruments: Presentation

In December, 2011, the IASB issued amendments to IAS 32. The amendment is effective for periods beginning on or after January 1, 2014 and is to be applied retrospectively. The amendment clarifies matters regarding offsetting financial assets and financial liabilities as well as related disclosure requirements. The Plan intends to adopt the amendments to IAS 32 in its financial statements for the annual reporting period beginning January 1, 2014 and does not expect the amendments to have a material impact on the financial statements.

(in thousands of dollars)

3. INVESTMENTS

The investment managers appointed by the Plan are directed to achieve a satisfactory long-term real rate of return through a diversified portfolio within their mandate, consistent with acceptable risks and prudent management. To achieve this long-term investment goal, the Plan has adopted an asset mix that has a bias to equity investments. Risk is controlled by investing in a well-diversified portfolio of asset classes, including Canadian and foreign equities, as well as by maintaining a substantial bond exposure.

Taking into consideration the investment and risk philosophy of the Plan, the following asset mix has been established:

Assets (as a % of market value)	**Minimum %**	**Benchmark %**	**Maximum %**
Equities			
Canadian equities	15	20	27
U.S. equities	12	17.5	25
Non-North American equities	12	17.5	25
Total Equities	45	55	65
Private Equities	0	5	10
Real Estate	8	10	15
Fixed Income			
Canadian Bonds	25	30	35
Short-term investments	0	0	10
Total Fund		100	

The following table shows the fair market value and cost of the Plan's investments at year end as well as the investment income earned during the year and the current-year change in fair value, which includes realized and unrealized gains and losses:

	As at and for the year ended December 31, 2013				
	Fair Value	Cost	Current-year change in fair value	Investment Income	Total return
Cash	$ 335	$ 335	$ -	$ -	$ -
Short-term investments	3,701	3,701	-	54	54
	4,036	4,036	-	54	54
Fixed income investments	160,640	159,738	(7,387)	5,547	(1,840)
Equities:					
Canadian equities	140,121	96,702	24,535	4,490	29,025
U.S equities	143,662	98,605	39,503	1,975	41,478
Non-North American equities	132,988	123,498	29,473	3,293	32,766
	416,771	318,805	93,511	9,758	103,269
Real Estate Pooled Funds	56,494	52,797	1,664	2,411	4,075
Private Equity Pooled Funds	16,090	11,806	3,197	259	3,456
	$ 654,031	$ 547,182	$ 90,985	$ 18,029	$ 109,014

(in thousands of dollars)

3. INVESTMENTS (continued)

	As at and for the year ended December 31, 2012				
	Fair Value	Cost	Current-year change in fair value	Investment Income	Total return
Cash	$ 402	$ 402	$ -	$ -	$ -
Short-term investments	2,056	2,056	-	34	34
	2,458	2,458	-	34	34
Fixed income investments	158,070	149,563	(277)	5,905	5,628
Equities:					
Canadian equities	113,368	88,462	11,618	3,258	14,876
U.S equities	111,776	102,572	9,583	5,468	15,051
Non-North American equities	103,241	123,154	12,455	3,081	15,536
	328,385	314,187	33,656	11,807	45,462
Real Estate Pooled Funds	52,705	50,672	3,005	2,107	5,112
Private Equity Pooled Funds	12,233	11,146	814	226	1,040
	$ 553,851	$ 528,027	$ 37,608	$ 20,078	$ 57,686

Cash and money market instruments are primarily securities issued by federal and provincial governments, Canadian chartered banks, and corporations with maturities under one year.

The fair value of bonds and debentures is based on quoted bid prices in an active market, when available. When quoted market prices in an active market are not available, the fair value is based on a valuation technique, being the present value of the principal and interest receivable discounted at appropriate market interest rates.

Common equities represent securities issued by entities that are traded on the TSX or other stock exchanges. Fair value is based on the quoted bid prices as at December 31.

Pooled funds do not have a quoted price in an active market. Fair value is based on net asset values, obtained from the managers of the funds, which are determined with reference to the fair value of the underlying listed investments of each fund.

4. INVESTMENT RISK

Risk Policy, Credit, Interest Rate, Foreign Currency, Equity Price and Liquidity Risk

(i) Risk Policy

The value of the Plan's assets is affected by short-term changes in interest rates and equity markets. Interest rate changes directly impact the value of fixed income securities. Interest rates, along with inflation and salary escalation, also impact the Plan's pension obligations. The Plan manages these risks through the establishment of an appropriate asset mix. The investment policy of the Plan states that assets should be prudently managed to assist in avoiding actuarial deficits and excessive volatility in annual rates of return.

The Plan's risk philosophy is that in order to achieve long-term investment goals, the Plan must invest in assets that have uncertain returns, such as Canadian equities, foreign equities and non-government bonds. The Plan has adopted an asset mix that has a bias to equity investments. The Board of Trustees attempts to reduce the overall level of risk by diversifying the asset classes and further diversifying within each individual asset class.

The Plan has an above average risk tolerance. As a result, an investment philosophy with an equity bias has been adopted. The overall risk posture of the Plan is influenced by demographics as well as the funded position of the Plan.

The Plan's investment policy contains specific performance objectives for the fund and for the investment managers. The primary objective is to outperform a benchmark portfolio over moving four year periods. The benchmark portfolio includes several key market indices including the S&P/TSX Composite Capped Index, the S&P 500, the S&P 500H, MSCI EAFE Index, IPD Canadian Property Index, DEX Universe Bond Index and 91-day T-Bills. A secondary objective is to exceed the benchmark index in each of the asset classes in which the investment manager invests.

(ii) Credit risk

Credit risk arises from the potential for an investee to fail or default on its contractual obligations to the Plan. The Plan manages these risks through credit quality limits defined in the Plan's Statement of Investment Policies and Goals. Within the bond portfolio, credit exposure is mitigated by establishing a minimum credit quality for corporate bonds of investment grade (which includes bonds rated AAA, AA, A and BBB or equivalent as rated by an independent rating agency). A maximum of 10% of the bond portfolio is permitted in the lower credit quality BBB bonds, with the remaining 90% required to be in bonds rated A or higher. In addition to ensuring diversification by major asset class, exposure to individual corporate entities is also restricted within the Plan's Statement of Investment Policies and Goals to 10% of the value of individual equity and bond portfolios as well as at the total portfolio level.

(in thousands of dollars)

4. INVESTMENT RISK (continued)

***(ii) Credit risk** (continued)*

Credit risk exposure to bond sectors:	2013		2012	
	$	%	$	%
Federal bonds & guarantees	60,401	37.6%	64,133	40.6%
Provincial bonds & guarantees	46,425	28.9%	44,415	28.1%
Municipal bonds	3,373	2.1%	3,121	2.0%
Corporate bonds	50,441	31.4%	46,401	29.4%
	160,640	100.0%	158,070	100.0%
Credit Rating				
AAA	70,891	44.1%	73,313	46.4%
AA	37,236	23.2%	35,613	22.5%
A	38,409	23.9%	37,210	23.5%
BBB	14,104	8.8%	11,934	7.6%
	160,640	100.0%	158,070	100.0%

(iii) Interest Rate Risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's cash flows and financial position. This risk is the differences arising from differences in the timing and amount of cash flows related to the Plan's assets and liabilities.

Investments that bear fixed rates of interest are most sensitive to changes in interest rates. The Plan holds 24.5% (2012 – 28.5%) of its assets in investments that bear fixed rates of interest. This investment is held in a pooled bond fund. The table below illustrates the potential impact on the Plan's net assets if the nominal interest rates changed by 1% (100 basis-points):

	December 31	
	2013	2012
Average bond duration:	6.71	6.94
Bond Fund Value	$ 160,640	$ 158,070
1% increase in rate	(10,779)	(10,970)
1% decrease in rate	10,779	10,970

(in thousands of dollars)

4. INVESTMENT RISK (continued)

(iv) Foreign Currency Risk

The Plan is exposed to foreign currency risk through holding of foreign equities where the investment values may fluctuate due to changes in foreign exchange rates. The Plan manages and estimates the foreign currency risk by focusing on equity distribution by country invested in. The policy limits foreign currency exposure of bond investments to 10% of market value of the bond portfolio. The exposure to US currency is net of investments in pooled funds where the US currency is hedged. At December 31, the Plan's most significant foreign currency exposure was:

		2013		2012
Foreign Currency		Exposure in CAD		
U.S. Dollars	$	93,830	$	73,383
Euros		59,518		43,982
Pounds Sterling		27,218		23,388
Japanese Yen		13,199		8,310
Swiss Franc		7,426		6,738
Other		20,382		16,402
	$	221,573	$	172,203

A 1% increase or decrease in the above foreign exchange rates relative to the Canadian Dollar would have the following impact on the fair value of the Plan's investments:

		December 31		
		2013		2012
Foreign Currency		Exposure in CAD		
U.S. Dollars	$	+/- 939	$	+/- 734
Euros		595		440
Pounds Sterling		272		234
Japanese Yen		132		83
Swiss Franc		74		67
	$	+/- 2,012	$	+/- 1,558

(v) Equity Price Risk

Equity price risk is the risk that the fair value or future cash flows of an equity investment will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual equity instrument, or factors affecting similar equity instruments traded in the market.

(in thousands of dollars)

4. INVESTMENT RISK (continued)

(v) Equity Price Risk *(continued)*

The investment portfolio is directly exposed to equity price risk in respect of its publicly traded equities which total $416,771 at December 31, 2013 (2012 - $328,385). A 1% increase or decrease in the market price of the Plan's publicly traded equities portfolio would impact the fair value of investments as follows:

	December 31			
	2013		2012	
Public Equity Market	Increase	Decrease	Increase	Decrease
Canadian	$ 1,401	$ (1,401)	$ 1,134	$ (1,134)
U.S.	1,437	(1,437)	1,118	(1,118)
Non-North American	1,330	(1,330)	1,032	(1,032)
	$ 4,168	$ (4,168)	$ 3,284	$ (3,284)

(vi) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Plan's Statement of Investment Policies and Goals sets out requirements for the Plan to maintain an adequate amount of liquid assets with varying maturities in order to ensure that the Plan can meet all of its financial obligations as they fall due.

As at December 31, 2013, the Plan has total financial liabilities of $1,475 (2012 - $1,003) consisting of accounts payable and bank indebtedness that will generally be settled within 90 days of the year end.

As at December 31, 2013, the Plan held cash and money market instruments totalling $4,036 (2012 – $2,458) which are readily available to settle such obligations. Other of the Plan's assets are traded in active markets and can be easily converted to cash to cover such obligations.

CITY OF SASKATOON
GENERAL SUPERANNUATION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(in thousands of dollars)

4. INVESTMENT RISK (continued)

(vii) Fair value hierarchy

	Level 1	Level 2	Level 3	*Balance as at December 31, 2013*
Equities	$ 209,242	$ 207,529	$ 72,584	$ 489,355
Bonds and Debentures	-	160,640	-	160,640
Cash and Money Market Instruments	2,787	1,249	-	4,036
	$ 212,029	**$ 369,418**	**$ 72,584**	**$ 654,031**

	Level 1	Level 2	Level 3	*Balance as at December 31, 2012*
Equities	$ 166,361	$ 162,024	$ 64,938	$ 393,323
Bonds and Debentures	-	158,070	-	158,070
Cash and Money Market Instruments	671	1,787	-	2,458
	$ 167,032	**$ 321,881**	**$ 64,938**	**$ 553,851**

There were no significant transfers of investments between Level 1 and Level 2 during 2013 or 2012.

Following is a reconciliation of the fair value of investments measured at fair value using Level 3 fair value measurements:

	2013	2012
Fair Value, Beginning of Year	$ 64,938	$ 56,462
Transfers into (out of) level 3	569	2,321
Investment income, net of fees	2,215	1,925
Current-year change in fair value	4,862	4,229
Fair Value, End of Year	$ 72,584	$ 64,938

(in thousands of dollars)

5. PENSION OBLIGATIONS

An actuarial valuation was prepared as of December 31, 2012 by AON Hewitt, a firm of consulting actuaries. The present value of accrued pension benefits was then extrapolated to December 31, 2013 using management's best estimates and assumptions.

The Statement of Changes in Pension Obligation displays the actuarial present value of benefits as at December 31, 2013. The assumptions used in determining the actuarial value of accrued pension benefits were developed by reference to expected long-term market conditions. Significant long-term actuarial assumptions used in the valuation were:

	December 31	
	2013	2012
Asset rate of return	7.00%	7.00%
Discount rate	7.00%	7.00%
Salary escalation rate	3.5% + merit	3.5% + merit
Inflation rate	2.50%	2.50%
Plan Membership		
Active members	2,534	2,483
Retired members	1,043	987
Surviving beneficiaries	206	203
Deferred members	24	29
Inactive members	324	331

There were no changes in actuarial assumptions between 2012 and 2013. Changes in actuarial assumptions between 2011 and 2012, and in particular the increase in the discount rate, resulted in a decrease in the pension obligation of $959.

Experience gains and losses represent the change in pension obligations due to the difference between actual economic and demographic experience and expected experience. During 2012, experience gains were $5,480. No data is available to calculate experience gains or losses for the 2013 year.

(in thousands of dollars)

5. PENSION OBLIGATIONS (continued)

The pension obligations is not considered to be a financial instrument; however the actuarial valuation of the pension obligations is sensitive to changes in long-term interest rates. A 0.5% (50 basis-point) increase or decrease in the discount rate assumption would have the following impact on the value of the pension obligations:

	December 31 2013	December 31 2012
Pension Obligations	$ 600,866	$ 569,886
0.50% increase in rate	(35,915)	(34,002)
0.50% decrease in rate	39,965	37,766

6. FUNDING POLICY

The Plan is jointly funded by active employees, and the City of Saskatoon as Plan Sponsor. The contribution rates are determined on the recommendation of the Plan's Actuary in its actuarial valuation as filed with the Financial and Consumer Affairs Authority of Saskatchewan. The most recent actuarial valuation for funding purposes was prepared by AON Hewitt as of December 31, 2012 and a copy of this valuation was filed in 2013. The Pension Benefits Act, 1992 (Saskatchewan) requires that an actuarial certificate be filed with Saskatchewan Financial Services Commission (Pensions Division) at least every three years, or earlier if the plan is significantly amended.

In accordance with the Plan, and agreements between the employee groups and the Plan Sponsor, employees are required to make contributions to the Plan's Fund and the Plan Sponsor is to make a matching contribution plus all other amounts as are determined necessary by the Actuary to maintain the Fund at a level to meet the minimum funding requirements prescribed by Applicable Legislation. Members may also make certain voluntary contributions and exercise pension buybacks for which the Sponsor has no obligation to match. For the 2013 and 2012 fiscal years and subsequent years the following contribution rates have been recommended:

	Year	Salary below the YMPE *	Salary above the YMPE *
Member contribution rate	2012	7.5%	9.1%
	2013	7.5%	9.1%
	2014	7.8%	9.4%
	2015	8.1%	9.7%
	2016	8.4%	10.0%

* The year's maximum pensionable earnings (YMPE) were $51,100 in 2013 and $50,100 in 2012.

For 2015 and subsequent years there are additional provisions for temporary increases in contribution rates while the employee groups and the Plan Sponsor negotiate benefit changes that will ensure the sustainability of the Plan with a total blended (combined above and below YMPE) contribution rate of 18% to be shared equally between the active members and the Plan Sponsor.

(in thousands of dollars)

7. ADMINISTRATIVE EXPENSES

The Plan pays additional administrative expenses on behalf of the Board of Trustees in order to administer the Plan.

	2013	2012
Investment management fees	$ 1,706	$ 1,426
Pension administration	140	136
Actuarial fees	101	55
Other administration	214	186
	$ 2,161	$ 1,803

8. RELATED PARTIES

The City of Saskatoon is the Plan Sponsor and makes contributions to the Plan matching those of the Plan members. The City also provides administration services to the Plan with the Plan making payment for those services according to a formula set out in the Plan Bylaw. During the year the following transactions were recorded between the Plan and the City of Saskatoon:

	2013	2012
Plan Sponsor's contributions	$ 11,969	$ 11,506
Administration expenses	149	141
Receivable from Plan Sponsor	1,522	1,087

DRAFT Financial Statements of

CITY OF SASKATOON
DEFINED CONTRIBUTION PENSION PLAN FOR SEASONAL AND NON-PERMANENT PART-TIME EMPLOYEES

Year ended December 31, 2013

Deloitte LLP
122 1st Ave. S.
Suite 400, PCS Tower
Saskatoon SK S7K 7E5
Canada

Tel: 306-343-4400
Fax: 306-343-4480
www.deloitte.ca

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the City of Saskatoon Defined Contribution Pension Plan for Seasonal and Non-Permanent Part-Time Employees

We have audited the accompanying financial statements of the City of Saskatoon Defined Contribution Pension Plan for Seasonal and Non-Permanent Part-Time Employees, which comprise the statement of financial position as at December 31, 2013, and the statement of changes in net assets available for benefits and the statement of changes in pension obligations for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the City of Saskatoon Defined Contribution Pension Plan for Seasonal and Non-Permanent Part-Time Employees as at December 31, 2013, and the changes in its net assets available for benefits and the changes in pension obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

Chartered Accountants
Saskatoon, Saskatchewan
June X, 2014

CITY OF SASKATOON DEFINED CONTRIBUTION PENSION PLAN FOR SEASONAL AND NON-PERMANENT PART-TIME EMPLOYEES

DRAFT Statement of Financial Position
(in thousands of dollars)

As at December 31, 2013, with comparative figures for 2012

	2013	2012
Assets		
Investments (note 4)	$ 8,512	$ 7,906
Contributions receivable:		
Employee	5	3
Employer	9	9
GST recoverable	1	1
Prepaid expenses	–	1
	8,527	7,920
Liabilities		
Accounts payable and accrued liabilities	$ 4	$ –
Bank indebtedness	17	3
	21	3
Net assets available for benefits	$ 8,506	$ 7,917

See accompanying notes to financial statements.

CITY OF SASKATOON DEFINED CONTRIBUTION PENSION PLAN FOR SEASONAL AND NON-PERMANENT PART-TIME EMPLOYEES

DRAFT Statement of Changes in Net Assets Available for Benefits
(in thousands of dollars)

Year ended December 31, 2013, with comparative figures for 2012

	2013	2012
Investments:		
Investment income	$ 2	$ 2
Change in fair value:		
Net realized gain (loss) on investments	216	220
Change in net unrealized gains on investments	807	379
	1,023	599
Contributions:		
Employee contributions	243	247
Employer contributions	243	247
	486	494
Increase in net assets before expenses and benefits	1,511	1,095
Expenses:		
Investment management fees	74	71
Administration	20	7
	94	78
Benefit payments:		
Retirement benefits	8	–
Refunds and transfers:		
Termination benefits	795	388
Death benefits	25	138
	820	526
Total expenses, payments and transfers	922	604
Increase in net assets	589	491
Net assets available for benefits, beginning of year	7,917	7,426
Net assets available for benefits, end of year	$ 8,506	$ 7,917

See accompanying notes to financial statements.

1. Description of the plan:

The following description of the City of Saskatoon Defined Contribution Pension Plan for Seasonal and Non-Permanent Part-Time Employees (the "Plan") is a summary only. For more information reference should be made the Plan Agreement.

a) General:

The Plan is a defined contribution pension plan covering certain part-time and seasonal employees of the City of Saskatoon. Under the Plan, contributions are made by the Plan members and the City of Saskatoon. The Plan is registered under The Pension Benefits Act, 1992 (Saskatchewan) registration #06885529.

b) Funding policy:

The Plan requires that the City of Saskatoon contribute an amount equal to the amount that the member is required to contribute as disclosed in note 5.

c) Retirement benefits:

The benefit payable to a member is a life annuity in the form elected by the member that can be purchased by the sum of the amounts in their required account and City of Saskatoon account.

d) Death benefit:

In the event of the death of an active member prior to retirement, an amount equal to the value of the member's required account plus City of Saskatoon account at the date of death is paid to the member's beneficiary.

e) Termination benefits:

Upon termination of employment, a member may transfer the value of the member required account and the value of the employer account to a Locked-In Retirement Account in accordance with the requirements of The Pension Benefits Act, 1992 (Saskatchewan).

f) Income taxes:

The Plan is a Registered Pension Trust as defined in the Income Tax Act and is not subject to income taxes.

2. Significant accounting policies:

(a) Basis of presentation:

These financial statements are prepared in accordance with Canadian accounting standards for pension plans. These financial statements are prepared on a 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. These financial statements do not portray the funding requirement of the Plan or the benefit security of individual plan members.

The Plan is a defined contribution plan. For a defined contribution pension plan, pension benefits are determined by the sponsor's and employees' contributions and the performance of the plan. Actuarial valuations are not required as the pension obligation equals the net assets available for benefits.

(b) Valuation of investment assets:

Investment assets are stated at their fair values in the Statement of Financial Position. Fair value is the amount for which an asset can be exchanged between knowledgeable, willing parties in an arm's length transaction. If the financial instrument has a quoted price in an active market, the quoted price is the fair value of the financial instrument. If the market for a financial instrument is not active, fair value is established by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, that technique is used. A valuation technique incorporates all factors that market participants would consider in setting a price. Fair value is estimated on the basis of the results of a valuation technique that makes maximum use of market inputs, and relies as little as possible on entity-specific inputs.

2. Significant accounting policies (continued):

Fair value hierarchy

Investment assets are classified and disclosed in one of the following categories reflecting the significance of inputs used in making the fair value measurement:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 - inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

If different levels of inputs are used to measure the fair value of an investment, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. See note 4 (g) for this disclosure.

(c) Trade date accounting:

Purchases and sales of financial instruments are recorded on their trade dates.

(d) Interest and dividends on investments and changes in fair value of investments :

Interest and dividends from investments are recorded separately from the change in fair value of such investments as investments income in the Statement of Changes in Net Assets Available for Benefits.

The realized and unrealized gains and losses are determined using the average cost basis.

(e) Foreign exchange:

Transactions denominated in foreign currencies are translated into Canadian dollars at the rates of exchange in effect on the dates of the transactions. At each reporting date, the market value of foreign currency denominated assets and liabilities is translated using the rates of exchange at that date. The resulting gains and losses from changes in these rates are recorded as part of the change in fair values of investments in the Statement of Changes in Net Assets Available for Benefits.

2. Significant accounting policies (continued):

(f) Contributions:

Contributions due to the Plan are recorded on an accrual basis. Transfers to the Plan and purchases of prior service, if any, are recorded when cash is received.

(g) Benefits:

Payments of pensions, refunds and transfers out of the Plan are recorded in the period in which they are paid.

(h) Use of estimates:

Preparation of the financial statements requires management to make estimates and assumptions, based on the information available as at the date of the financial statements, which effect the reported value of assets and liabilities, and related income and expenses. Such estimates and assumptions effect primarily the value of investments. Actual results could differ from those presented.

3. New accounting standards:

(a) Standards adopted in the current year:

IFRS 13, *Fair Value Measurement* (IFRS 13)

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7.

3. New accounting standards (continued):

In accordance with the transitional provisions of IFRS 13, the Plan has applied the new fair value measurement guidelines prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Plan's assets and liabilities.

(b) Future accounting changes:

IAS 32, *Financial Instruments: Presentation* (IAS 32)

In December 2011, the IASB issued amendments to IAS 32. The amendment is effective for periods beginning on or after January 1, 2014 and is to be applied retrospectively. The amendment clarifies matters regarding offsetting financial assets and financial liabilities as well as related disclosure requirements. The Plan intends to adopt the amendments to IAS 32 in its financial statements for the annual reporting period beginning January 1, 2014 and does not expect the amendments to have a material impact on the financial statements.

4. Investments:

Investment management duties of the Plan are performed by Integra Capital Management Corporation ("the Manager"). CIBC Melon Trust acts as the custodian of the investment accounts and BMO GRS performs the record keeping function and are responsible for the member booklets, retirement tools, member records, website access, member statements, etc. Plan participants are able to direct their investments to the fund(s) of their choice whereas the contributions made by the City are invested in the Integra Balanced Fund.

4. Investments (continued):

Investments consists of units held in various investment funds (the "Funds"). These Funds include:

		2013		2012
Integra Growth Allocation Fund (Lifecycle #1)	$	78	$	59
Integra Strategic Allocation Fund (Lifecycle #2)		72		85
Integra Conservative Allocation Fund (Lifecycle #3)		11		13
Integra Balanced Fund		8,065		7,471
Integra U.S. Value Growth Fund		16		14
Integra Canadian Value Growth Fund		111		106
Integra International Equity Fund		26		22
Integra Bond Fund		30		24
Integra Short-term Investment Fund		28		24
5-Year GIC's		75		88
	$	8,512	$	7,906

a) Risk management:

The investment objective of most of the Plan is to achieve a long-term superior rate of return with moderate risk and also to provide long-term capital appreciation and income through a constant mix of stocks and bonds while managing short-term preservation of capital.

The Manager also maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations. In some cases, the Funds are advised by "sub-advisors".

b) Credit risk:

Credit risk on financial instruments is the risk of a loss occurring as a result of the default of an issuer on its obligation to a Fund. Credit risk is managed by dealing with issuers that are believed to be creditworthy and by regular monitoring of credit exposures. Additionally, credit risk is reduced by diversification of issuer, industry and geography.

The investment portfolio of the Plan is directly exposed to credit risk in respect of its receivables and money market instruments and bonds within each Fund.

4. Investments (continued):

c) Foreign exchange risk:

The Plan is exposed to foreign currency risk through any foreign securities held within the Funds where the investment values may fluctuate due to changes in foreign exchange rates.

d) Interest rate risk:

Changes in market interest rates expose fixed income securities such as bonds, treasury bills, commercial paper, bankers acceptances and short-term income securities to interest rate risk. Funds that hold fixed income investments are exposed to this risk since changes in prevailing market interest rates will affect the value of fixed income securities.

e) Equity price risk:

Equity price risk is the risk that the fair value or future cash flows on an equity investment will fluctuate because of changes in market prices (other than those arising from interest rate risk and foreign currency risk), whether those changes are caused by factors specific to the individual equity instrument, or factors affecting similar equity instruments traded in the market.

The investment portfolio is exposed to equity price risk in respect of its investment in stocks.

f) Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Plan's Statement of Investment Policies and Goals sets out requirements for the Plan to maintain an adequate amount of liquid assets with varying maturities in order to ensure that the Plan can meet all of its financial obligations as they fall due.

As at December 31, 2013, the Plan holds mutual funds of $8,437 (2012 - $7,818). Unit holders of the Funds may redeem their units on each valuation date, and therefore, the Plan's investments in these Funds are traded in active markets and can be readily disposed of.

4. Investments (continued):

g) Fair value hierarchy:

	Level 1	Level 2	Level 3	Balance at December 31, 2013
Integra Growth Allocation Fund	$ 78	$ -	$ -	$ 78
Integra Growth Strategic Allocation Fund	72	-	-	72
Integra Conservative Allocation Fund	11	-	-	11
Integra Balance Fund	8,065	-	-	8,065
Integra U.S. Value Growth Fund	16	-	-	16
Integra Canadian Value Growth Fund	111	-	-	111
Integra International Equity Fund	26	-	-	26
Integra Bond Fund	30	-	-	30
Integra short-term Investment Fund	28	-	-	28
5-Year GIC's	-	75	-	75
	$ 8,437	$ 75	$ -	$ 8,512

4. Investments (continued):

	Level 1	Level 2	Level 3	Balance as at December 31, 2012
Integra Growth Allocation Fund	59	-	-	59
Integra Growth Strategic Allocation Fund	85	-	-	85
Integra Conservative Allocation Fund	13	-	-	13
Integra Balance Fund	7,471	-	-	7,471
Integra U.S. Value Growth Fund	14	-	-	14
Integra Canadian Value Growth Fund	106	-	-	106
Integra International Equity Fund	22	-	-	22
Integra Bond Fund	24	-	-	24
Integra Short-term Investment Fund	24	-	-	24
5-Year GIC's	-	88	-	88
	$ 7,818	$ 88	$ -	$ 7,906

There were no significant transfers of investments between Level 1 and Level 2 during 2013 and 2012.

5. Funding policy:

In accordance with the Plan Agreement, employees are required to contribute 4.8% of the portion of salary which is less than the earning ceiling under the Canada Pension Plan (CPP) and 6.4% of the excess salary. The City of Saskatoon is required to match the employee contribution.

DRAFT Financial Statements of

CITY OF SASKATOON
FIRE AND PROTECTIVE SERVICES
DEPARTMENT SUPERANNUATION PLAN

Year ended December 31, 2013

Deloitte LLP
122 1st Ave. S.
Suite 400, PCS Tower
Saskatoon SK S7K 7E5
Canada

Tel: 306-343-4400
Fax: 306-343-4480
www.deloitte.ca

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the City of Saskatoon Fire and Protective Services Department Superannuation Plan

We have audited the accompanying financial statements of the City of Saskatoon Fire and Protective Services Department Superannuation Plan, which comprise the statement of financial position as at December 31, 2013, and the statement of changes in net assets available for benefits and the statement of changes in pension obligation for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the City of Saskatoon Fire and Protective Services Department Superannuation Plan as at December 31, 2013, and the changes in its net assets available for benefits and the changes in pension obligation for the year then ended in accordance with Canadian accounting standards for pension plans.

Chartered Accountants
Saskatoon, Saskatchewan
June 13, 2014

CITY OF SASKATOON FIRE AND PROTECTIVE SERVICES DEPARTMENT SUPERANNUATION PLAN

DRAFT Statement of Financial Position
(in thousands of dollars)

As at December 31, 2013, with comparative figures for 2012

	2013	2012
Assets		
Cash	$ 329	$ –
Investments (note 4)	142,057	123,125
Accrued investment income	329	420
Contributions receivable:		
Employee	87	–
Employer	182	179
GST recoverable	14	6
Prepaid expenses	1	–
	142,999	123,730
Liabilities		
Accounts payable and accrued liabilities	$ 93	$ 76
Bank indebtedness	667	677
	760	753
Net assets available for benefits	142,239	122,977
Pension obligations (note 5)	142,955	137,193
Deficit	$ (716)	$ (14,216)

See accompanying notes to financial statements.

CITY OF SASKATOON FIRE AND PROTECTIVE SERVICES DEPARTMENT SUPERANNUATION PLAN

DRAFT Statement of Changes in Net Assets Available for Benefits
(in thousands of dollars)

Year ended December 31, 2013, with comparative figures for 2012

	2013	2012
Investments:		
Interest income	$ 1,400	$ 1,333
Dividends and distributions	2,249	2,557
	3,649	3,890
Change in fair value:		
Net realized gain on sale of investments	3,604	2,247
Change in net unrealized gains on investments	14,293	6,209
	17,897	8,456
Contributions:		
Employee	2,733	2,230
Employer	2,252	2,211
Transfer from other plans	313	135
	5,298	4,576
Increase in net assets before expenses and benefits	26,844	16,922
Expenses:		
Investment management fees	327	301
Administration (note 7)	238	173
	565	474
Benefit payments:		
Retirement benefits	6,936	6,930
Refunds and transfers:		
Termination benefits	81	678
Total expenses, payments and transfers	7,582	8,082
Increase in net assets	19,262	8,840
Net assets available for benefits, beginning of year	122,977	114,137
Net assets available for benefits, end of year	$ 142,239	$ 122,977

See accompanying notes to financial statements.

CITY OF SASKATOON FIRE AND PROTECTIVE SERVICES DEPARTMNET SUPERANNUATION PLAN

DRAFT Statement of Changes in Pension Obligations
(in thousands of dollars)

Year ended December 31, 2013, with comparative figures for 2012

	2013	2012
Pension obligations, beginning of year	$ 137,193	$ 134,047
Increases in pension obligations:		
Pension benefits accrued	3,451	3,810
Interest on accrued pension benefits	9,015	8,528
Experience losses	–	2,751
Decreases in pension obligations:		
Benefits paid	(6,704)	(7,473)
Changes in actuarial assumptions	–	(4,470)
Pension obligations, end of year	$ 142,955	$ 137,193

See accompanying notes to financial statements.

1. Description of the plan:

The following description of the City of Saskatoon Fire and Protective Services Department Superannuation Plan (the "Plan") is a summary only. For more information, reference should be made the Plan Agreement.

a) General:

The Plan is a contributory defined benefit pension plan covering all uniformed employees of the City of Saskatoon Fire and Protective Services Department. Under the Plan, contributions are made by the Plan members and the City of Saskatoon (the "Sponsor"). The Plan is registered under The Pension Benefits Act, 1992 (Saskatchewan) registration #0308262.

b) Funding policy:

The Plan requires that the City of Saskatoon and the members equally fund benefits determined under the Plan. The determination of the value of these benefits is made on the basis of the most recently filed actuarial valuation (see note 6).

c) Service pensions:

A service pension is normally available based on 1.4% of the portion of the final earnings which are not in excess of the average Year's Maximum Pensionable Earnings (YMPE) in the year of retirement and the previous two years, multiplied by the number of years of contributory service, subject to a maximum of 35 years; plus 2% of the portion of the final earnings in excess of the average YMPE multiplied by the number of years of contributory service subject to a maximum of 35 years.

d) Disability provisions:

Periods during which a member is in receipt of long-term disability insurance benefits provided by the City of Saskatoon count as contributory service. A member may elect to retire for reasons of ill health without reduction in his earned pension any time after age 50 or completion of 25 years of continuous service.

e) Death benefits:

In the event of the death of an active member prior to retirement, an amount equal to the greater of two times the member's accumulated contributions with interest, or the commuted value of the member's earned pension, will be paid to the member's spouse, if married, or designated beneficiary, if single.

1. Description of the plan (continued):

f) Survivors' pensions:

The normal form of pension provides that payments will be made to the member for the member's lifetime with 60% of the pension otherwise payable continuing to the surviving spouse upon the member's death. In any event, payments to the member and spouse are guaranteed to be made for at least 60 months.

g) Termination benefits:

Upon termination of employment prior to becoming vested, a member will receive a refund of his/her own contributions with interest. Following vesting, the member will also receive the vested potion of the City of Saskatoon contributions based upon service and earnings to date of termination. Vesting occurs once a member completes two years of service.

h) Income taxes:

The Plan is a Registered Pension Trust as defined in the Income Tax Act and is not subject to income taxes.

2. Significant accounting policies:

(a) Basis of presentation:

These financial statements are prepared in accordance with Canadian accounting standards for pension plans. These financial statements are prepared on a 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. These financial statements do not portray the funding requirement of the Plan or the benefit security of individual plan members.

2. Significant accounting policies (continued):

(b) Valuation of investment assets:

Investment assets are stated at their fair values in the Statement of Financial Position. Fair value is the amount for which an asset can be exchanged between knowledgeable, willing parties in an arm's length transaction. If the financial instrument has a quoted price in an active market, the quoted price is the fair value of the financial instrument. If the market for a financial instrument is not active, fair value is established by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, that technique is used. The valuation technique incorporates all factors that market participants would consider in setting a price. Fair value is estimated on the basis of the results of a valuation technique that makes maximum use of market inputs, and relies as little as possible on entity-specific inputs.

Fair value hierarchy

Investment assets and investment liabilities are classified and disclosed in one of the following categories reflecting the significance of inputs used in making the fair value measurement:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 - inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

If different levels of inputs are used to measure the fair value of an investment, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. The Plan determines whether transfers between levels have occurred at the end of each reporting period. See note 4 (d) (vii) for this disclosure.

(c) Trade date accounting:

Purchases and sales of financial instruments are recorded on their trade dates.

2. Significant accounting policies (continued):

(d) Interest and dividends on investments and changes in fair value of investments :

Interest and dividends from investments in money market instruments, bonds, equities, and pooled funds are recorded separately from the change in fair value of such investments as investment income in the Statement of Changes in Net Assets Available for Benefits. Interest, dividends, and distributions from pooled funds are recorded on the accrual basis.

The realized and unrealized gains and losses are determined using the average cost basis.

(e) Transaction costs:

All transaction costs in respect of purchases and sales of investments are recorded as part of investment management fees in the Statement of Changes in Net Assets Available for Benefits.

(f) Foreign exchange:

Transactions denominated in foreign currencies are translated into Canadian dollars at the rates of exchange in effect on the dates of the transactions. At each reporting date, the market value of foreign currency denominated assets and liabilities is translated using the rates of exchange at that date. The resulting gains and losses from changes in these rates are recorded as part of the change in fair value of investments in the Statement of Changes in Net Assets Available for Benefits.

(g) Contributions:

Contributions due to the Plan are recorded on an accrual basis. Transfers to the Plan and purchases of prior service are recorded when cash is received.

(h) Benefits:

Payments of pensions, refunds and transfers out of the Plan are recorded in the period in which they are paid.

2. Significant accounting policies (continued):

(i) Pension obligations:

The value of accrued pension benefits payable in the future to members and changes therein during the year are based on an actuarial valuation prepared by an independent firm of actuaries. The valuation for accounting purposes is made as at year end. It uses the projected benefit method pro-rated on service and best estimate assumptions, as at the valuation dates, of various economic and non-economic future events. The differences between the financial statement deficit resulting from this accounting valuation and the regulatory deficit resulting from the triennial valuation for funding purposes (see Note 1 (b) above) is explained in Note 6.

(j) Use of estimates:

Preparation of the financial statements requires management to make estimates and assumptions, based on the information available as at the date of the financial statements, which affect the reported values of assets and liabilities, and related income and expenses. Such estimates and assumptions affect primarily the value of recorded pension obligations and the fair value of investment assets. Actual results could differ from those presented.

3. New accounting standards:

(a) Standards adopted in the current year:

IFRS 13, *Fair Value Measurement* (IFRS 13)

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7. As a result, the Plan has included additional disclosures in this regard (see note 4).

In accordance with the transitional provisions of IFRS 13, the Plan has applied the new fair value measurement guidelines prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Plan's assets and liabilities.

3. New accounting standards (continued):

(b) Future accounting changes:

IAS 32, *Financial Instruments: Presentation* (IAS 32)

In December 2011, the IASB issued amendments to IAS 32. The amendment is effective for periods beginning on or after January 1, 2014 and is to be applied retrospectively. The amendment clarifies matters regarding offsetting financial assets and financial liabilities as well as related disclosure requirements. The Plan intends to adopt the amendments to IAS 32 in its financial statements for the annual reporting period beginning January 1, 2014 and does not expect the amendments to have a material impact on the financial statements.

4. Investments:

RBC Investor Services Trust is the custodian of the Plan. Jarislowsky Fraser Limited, Leith Wheeler Investment Counsel Ltd. and Westpen Properties Ltd. act as the investment managers for the Plan.

Investments are stated at fair value. Therefore, the values reflected in the Statement of Financial Position represent the maximum market and credit exposure to the Plan as of the reporting date.

(a) Money market instruments:

		2013		2012
Canadian short-term investments	$	321	$	260
U.S. short-term investments		386		718
Total money market instruments	$	707	$	978

Money market instruments are primarily securities issued by Federal and Provincial governments, Canadian Chartered Banks, and Canadian corporations with maturities under one year.

4. Investments (continued):

(b) Bonds and debentures:

		2013		2012
Government and government guaranteed	$	16,863	$	13,058
Corporate		23,321		21,474
Pooled fixed income funds		663		-
Total bonds and debentures	$	40,847	$	34,532

The fair value of these instruments is based on quoted bid prices in an active market, when available. When quoted market prices in an active market are not available, the fair value is based on a valuation technique, being the present value of the principal and interest receivable discounted at appropriate market interest rates.

(c) Equities:

		2013		2012
Canadian common stocks	$	38,920	$	33,461
Canadian real estate pooled funds		13,095		12,217
Canadian pooled equity funds		3,301		2,996
U.S. common stocks		12,797		10,715
U.S. pooled equity funds		11,042		9,470
Foreign pooled equity funds		21,348		18,756
Total equities	$	100,503	$	87,615

Common stocks represent securities issued by entities that are traded on the TSX or other stock exchanges. Fair value is based on the quoted bid prices as at December 31.

Pooled funds do not have a quoted price in active markets. Fair value is based on net asset values, obtained from the managers of the funds, which are determined with references to the fair value of the underlying listed investments of each fund.

4. Investments (continued):

(d) Financial risk management:

(i) Risk policy:

The value of the Plan's assets is affected by short-term changes in interest rates and equity markets. Interest rate changes directly impact the value of fixed income securities. Interest rates, along with inflation and salary escalation, also impact the Plan's pension obligations. The Plan manages these risks through the establishment of an appropriate asset mix. The investment policy of the Plan states that the Plan's assets should be prudently managed to assist in avoiding actuarial deficits and excessive volatility in annual rates of return.

The Plan's risk philosophy is that in order to achieve long-term investment goals, the Plan must invest in assets that have uncertain returns, such as Canadian equities, foreign equities and non-government bonds. The Plan has adopted an asset mix that has a bias to equity investments. The Board of Trustees has attempted to reduce the overall level of risk by diversifying the asset classes and further diversifying within each individual asset class.

The Plan has moderate to moderately high risk tolerance. As a result, an investment philosophy with an equity bias has been adopted. The overall risk posture of the Plan is influenced by demographics as well as the funded position of the Plan.

The long-term investment goal of the Plan is to exceed the actuarial real rate of return assumption of 3.45% with a minimum annualized rate of return target of four and one-quarter percentage points in excess of the Canadian Consumer Index. The 4.45% real return objective, is consistent with the overall investment risk level that the Plan could assume in order to meet the pension obligations of the Plan, and normally will be assessed over longer time periods.

The Plan's investment policy contains specific performance objectives for the Plan and for the investment managers. The primary objective is to out perform a benchmark portfolio over moving four year periods. The benchmark portfolio includes several key market indices including the S&P/TSX Composite Capped Index, the S&P 500, the MSCI EAFE Index, the Investment Property Databank, the DEX Universe Bond Index and 91-day T-Bills. A secondary objective is to exceed the benchmark index in each of the asset classes in which the investment manager invests.

4. Investments (continued):

(ii) Credit risk:

Credit risk arises from the potential for an investee to fail or default on its contractual obligations to the Plan. The Plan manages these risks through credit quality limits defined in the Plan's Statement of Investment Policies and Goals. Within the bond portfolio, credit exposure is mitigated by establishing a minimum credit quality for corporate bonds of investment grade (which include bonds rated AAA, AA, A and BBB or equivalent as rated by an independent rating agency). Bonds rated BBB may not be purchased if the purchase would raise the holdings in bonds rated BBB or lower to more than 20% of the market value of the bond portfolio. In addition to ensuring diversification by major asset class, exposure to individual corporate entities is also restricted within the Plan's Statement of Investment Policies and Goals to 10% of the value of individual equity and bond portfolios as well as at the total portfolio level.

Exposure to bond sectors (credit risk):

	2013	2012
Federal	$ 7,397	$ 6,657
Provincial	9,067	5,921
Municipal	399	588
Corporate	23,321	21,366
Pooled	663	-
	$ 40,847	$ 34,532

(iii) Foreign currency risk:

The Plan is exposed to foreign currency risk through holding of foreign equities where the investment values may fluctuate due to changes in foreign exchange rates. The Plan manages and estimates the foreign currency risk by focusing on equity distribution by country invested in. The policy limits foreign currency exposure of bond investments to 10% of market value of the bond portfolio. The exposure to U.S. currency is net of investments in the pooled fund where the U.S. currency is hedged. At December 31, 2013, the Plan's foreign currency exposure was $45,178 (2012 - $39,177).

4. Investments (continued):

		2013		2012
U.S. dollar	$	23,839	$	21,017
Euro		6,520		5,325
British pound		4,788		4,425
Japanese yen		3,084		2,582
Swiss franc		1,847		1,553
Hong Kong dollar		847		1,020
Other		4,253		3,255
	$	45,178	$	39,177

(iv) Interest rate risk:

Interest rate risk refers to the adverse consequence of interest rate changes on the Plan's cash flows, financial position and income. This risk is the differences arising from differences in the timing and amount of cash flows related to the Plan's assets and liabilities.

At December 31, 2013, the Plan's exposure to interest rate risk was $41,883 (2012 - $35,510).

		2013		2012
Cash and short term investments	$	1,036	$	978
Bonds and debentures		40,847		34,532
	$	41,883	$	35,510

Modified duration is a measurement of the sensitivity of the price of a fixed income investment to a change in interest rate. All else being equal, the market value of a fixed income investment with a duration of 6 years would be expected to decrease by 6% for every 1% increase in interest rates.

The modified duration of the Plan's bonds is as follows:

	2013	2012
Leith Wheeler bonds	6.53 %	6.64 %
Jarislowsky Fraser bonds	5.92 %	6.43 %
Weighted average	6.23 %	6.53 %

4. Investments (continued):

The Plan holds approximately 29.3% (2012 - 28.8%) of its investments in fixed income securities and 70.7% (2012 - 71.2%) in equities and equity pooled funds at December 31, 2013.

(v) Equity price risk:

Equity price risk is the risk that the fair value or future cash flows of an equity investment will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual equity instrument, or factors affecting similar equity instruments traded in the market.

The investment portfolio is directly exposed to equity price risk in respect of its equities which total $100,503 at December 31, 2013 (2012 - $87,615).

(vi) Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Plan's Statement of Investment Policies and Goals sets out requirements for the Plan to maintain an adequate amount of liquid assets with varying maturities in order to ensure that the Plan can meet all of its financial obligations as they fall due.

As at December 31, 2013, the Plan has other liabilities of $760 (2012 - $753). Other liabilities relate to accounts payable and bank indebtedness and will generally be settled within 90 days of the year end.

As at December 31, 2013, the Plan held cash and money market instruments totaling $1,036 (2012 - $978) which are readily available to settle such obligations.

4. Investments (continued):

(vii) Fair value hierarchy:

		Level 1		Level 2		Level 3		Balance as at December 31, 2013
Equities	$	51,717	$	35,691	$	13,095	$	100,503
Bonds and debentures		-		40,847		-		40,847
Short-term investments		-		707		-		707
	$	51,717	$	77,245	$	13,095	$	142,057

		Level 1		Level 2		Level 3		Balance as at December 31, 2012
Equities		54,498		20,900		12,217		87,615
Bonds and debentures		-		34,532		-		34,532
Short-term investments		-		978		-		978
	$	54,498	$	56,410	$	12,217	$	123,125

There were no significant transfers of investments between Level 1 and Level 2 during 2013 and 2012.

4. Investments (continued):

The following table reconciles the Plan's Level 3 fair value measurements from December 31, 2012 to December 31, 2013:

		Equities
Balance, beginning of year	$	12,217
Gain (loss) included in the Statement of Changes in Net Assets Available for Benefits		878
Balance, end of year	$	13,095

5. Pension obligations:

An actuarial valuation was prepared as of December 31, 2012 by AON Hewitt, a firm of consulting actuaries. The pension obligation reflected on the Statement of Changes in Pension Obligations as at December 31, 2013 is based on an extrapolation of the 2012 valuation.

The assumptions used in determining the actuarial value of accrued pension benefits were developed by reference to expected long-term market conditions. Significant long-term actuarial assumptions used in the valuation were:

	2013	2012
Expected return on plan assets	6.65 %	6.65 %
Inflation rate	2.50 %	2.50 %
Rate of compensation increase (including inflation component)	3.50 %	3.50 %
Discount rate per annum for all members	6.65 %	6.65 %
Average remaining service period of active employees	15.0 years	15.0 years

Changes in actuarial assumptions between 2011 and 2012 resulted in a decrease in pension obligation of $4,470. In 2013, there were no further changes to actuarial assumptions.

Experience gains and losses represent the change in pension obligations due to the difference between actual economic and demographic experience and expected experience. During 2013, experience losses were $nil (2012 - $2,751)

The deficiency of net assets available for benefits relative to pension obligations results in the Plan being in a deficit position of $716 as at December 31, 2013 (2012 - $14,216).

6. Funding policy:

In accordance with the Plan Agreement, employees are required to contribute 7.7% of their salary. The City of Saskatoon is required to match employee contributions. Any costs over the 7.7% matching contribution rate will be shared equally between the employees and the City of Saskatoon.

The most recent actuarial valuation for funding purposes was prepared by AON Hewitt as of December 31, 2012 and a copy of this valuation was filed with the Financial and Consumer Affairs Authority of Saskatchewan. This valuation disclosed a going concern unfunded liability of $7,813. The effective date of the next actuarial valuation is expected to be December 31, 2015.

The Pension Benefits Act, 1992 (Saskatchewan) requires that an actuarial certificate be filed with the Financial and Consumer Affairs Authority of Saskatchewan at least every three years or earlier if the plan is significantly amended.

7. Administration expenses:

	2013	2012
Actuarial fee	$ 124	$ 34
Administrative expenses	67	94
Custodian fee	35	30
Bank interest	12	15
	$ 238	$ 173

DRAFT Financial Statements of

CITY OF SASKATOON
POLICE SUPERANNUATION PLAN

Year ended December 31, 2013

Deloitte LLP
122 1st Ave. S.
Suite 400, PCS Tower
Saskatoon SK S7K 7E5
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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the City of Saskatoon Police Superannuation Plan

We have audited the accompanying financial statements of the City of Saskatoon Police Superannuation Plan, which comprise the statement of financial position as at December 31, 2013, and the statements of changes in net assets available for benefits and changes in pension obligation for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the City of Saskatoon Police Superannuation Plan as at December 31, 2013, and the changes in its net assets available for benefits and changes in its pension obligation for the year then ended in accordance with Canadian accounting standards for pension plans.

Chartered Accountants
Saskatoon, Saskatchewan
June 11, 2014

CITY OF SASKATOON POLICE SUPERANNUATION PLAN

DRAFT Statement of Financial Position
(in thousands of dollars)

As at December 31, 2013, with comparative figures for 2012

		2013		2012
Assets				
Cash	$	168	$	-
Investments (note 4)		283,871		248,692
Accrued investment income		256		280
Contributions receivable:				
Employee		164		-
Employer		330		-
GST recoverable		43		17
Prepaid expenses		-		2
		284,832		248,991
Liabilities				
Accounts payable and accrued liabilities	$	291	$	227
Bank indebtedness		901		867
		1,192		1,094
Net assets available for benefits		283,640		247,897
Pension obligations (note 5)		280,349		269,362
Surplus (deficit)	$	3,291	$	(21,465)

See accompanying notes to financial statements.

CITY OF SASKATOON POLICE SUPERANNUATION PLAN

DRAFT Statement of Changes in Net Assets Available for Benefits
(in thousands of dollars)

Year ended December 31, 2013, with comparative figures for 2012

	2013	2012
Investment income:		
Interest income	$ 1,155	$ 3,492
Dividends and distributions	3,883	5,464
	5,038	8,956
Change in fair value:		
Net realized gain (loss) on sale of investments	2,535	(6,011)
Change in net unrealized gains on investments	35,312	20,341
	37,847	14,330
Contributions:		
Employee	4,140	3,795
Employer	4,140	3,795
Transfer from other plans	407	576
	8,687	8,166
Increase in net assets before expenses and benefits	51,572	31,452
Expenses:		
Investment management fees	1,160	852
Administration (note 7)	282	290
	1,442	1,142
Benefit payments:		
Retirement benefits	14,148	13,275
Refunds and transfers:		
Termination benefits	239	871
Death benefits	-	52
	239	923
Total expenses, payments and transfers	15,829	15,340
Increase in net assets	35,743	16,112
Net assets available for benefits, beginning of year	247,897	231,785
Net assets available for benefits, end of year	$ 283,640	$ 247,897

See accompanying notes to financial statements.

CITY OF SASKATOON POLICE SUPERANNUATION PLAN

DRAFT Statement of Changes in Pension Obligations
(in thousands of dollars)

Year ended December 31, 2013, with comparative figures for 2012

	2013	2012
Pension obligations, beginning of year	$ 269,362	$ 259,705
Increases in pension obligations:		
Pension benefits accrued	7,406	8,127
Interest on accrued pension benefits	17,561	16,702
Experience losses	-	1,200
Decreases in pension obligations:		
Benefits paid	(13,980)	(13,620)
Changes in actuarial assumptions	-	(2,752)
Pension obligations, end of year	$ 280,349	$ 269,362

See accompanying notes to financial statements.

1. Description of the plan:

The following description of the City of Saskatoon Police Services Superannuation Plan (the "Plan") is a summary only. For more information, reference should be made to the Plan Agreement.

a) General:

The Plan is a contributory defined benefit pension plan covering all police employees of the City of Saskatoon Police Services. Under the Plan, contributions are made by the Plan members and the Board of Police Commissioners. The Plan is registered under The Pension Benefits Act, 1992 (Saskatchewan) registration #0206102.

b) Funding policy:

The Pension Benefits Act, 1992 (Saskatchewan) requires that the Board of Police Commissioners, being the Plan sponsor, must fund benefits determined under the Plan. The determination of the value of these benefits is made on the basis of the most recently filed valuation (see note 6).

c) Service pensions:

A service pension is normally available based on 2% of the final earnings multiplied by the pensionable service, subject to a maximum of 35 years, adjusted for Canada Pension Plan benefits for periods of past service from 1990 to 1994 inclusive.

d) Disability benefit:

Periods in which a member is in receipt of Workers' Compensation, sick bank, or long-term disability insurance benefits count as contributory service.

Participants who become disabled may retire at any time provided they have completed 25 years of continuous service.

e) Death benefits:

In the event of the death of an active member prior to retirement, an amount equal to the greater of two times the member's accumulated contributions with interest or the commuted value of the pension earned to the date of death will be paid to the member's beneficiary.

1. Description of the plan – continued:

f) Survivors' pensions:

The normal form of pension provides that payments will be made to the member for the member's lifetime with 66 2/3% of the pension otherwise payable continuing to the surviving spouse upon the member's death. In any event, payments to the member and spouse are guaranteed to be made for at least 60 months.

g) Termination benefits:

Upon termination of employment prior to becoming vested, a member will receive a refund of all of his/her own contributions with interest. Following vesting, the member will also receive the vested portion of the Board of Police Commissioners contributions based upon service and earnings to date of termination. Vesting occurs once a member completes two years of service.

f) Income taxes:

The Plan is a Registered Pension Trust as defined in the Income Tax Act and is not subject to income taxes.

2. Significant accounting policies:

(a) Basis of presentation:

These financial statements are prepared in accordance with Canadian accounting standards for pension plans. These financial statements are prepared on a 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. These financial statements do not portray the funding requirements of the Plan or the benefit security of individual plan members.

2. Significant accounting policies – continued:

(b) Valuation of investment assets:

Investment assets are stated at their fair values in the Statement of Financial Position. Fair value is the amount for which an asset can be exchanged between knowledgeable, willing parties in an arm's length transaction. If the financial instrument has a quoted price in an active market, the quoted price is the fair value of the financial instrument. If the market for a financial instrument is not active, fair value is established by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, that technique is used. A valuation technique incorporates all factors that market participants would consider in setting a price. Fair value is estimated on the basis of the results of a valuation technique that makes maximum use of market inputs, and relies as little as possible on entity-specific inputs.

Fair value hierarchy

Investment assets are classified and disclosed in one of the following categories reflecting the significance of inputs used in making the fair value measurement:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

If different levels of inputs are used to measure the fair value of an investment, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. The Plan determines whether transfers between levels have occurred at the end of each reporting period. See note 4 (f) (vii) for this disclosure.

(c) Trade date accounting:

Purchases and sales of financial instruments are recorded on their trade dates.

2. Significant accounting policies – continued:

(d) Interest and dividends on investments and changes in fair value of investments:

Interest and dividends from investments are recorded separately from the change in fair value of such investments as investment income in the Statement of Changes in Net Assets Available for Benefits. Interest, dividends and distributions from pooled funds are recorded on the accrual basis.

The realized and unrealized gains and losses are determined using the average cost basis.

(e) Transaction costs:

All transaction costs in respect of purchases and sales of investments are recorded as part of investment management fees in the Statement of Changes in Net Assets Available for Benefits.

(f) Foreign exchange:

Transactions denominated in foreign currencies are translated into Canadian dollars at the rates of exchange in effect on the dates of the transactions. At each reporting date, the market value of foreign currency denominated assets and liabilities is translated using the rates of exchange at that date. The resulting gains and losses from changes in these rates are recorded as part of the change in fair value of investments in the Statement of Changes in Net Assets Available for Benefits.

(g) Contributions:

Contributions due to the Plan are recorded on an accrual basis. Transfers to the Plan and purchases of prior service are recorded when cash is received.

(h) Benefits:

Payments of pensions, refunds and transfers out of the Plan are recorded in the period in which they are paid.

2. Significant accounting policies – continued:

(i) Pension obligations:

The value of accrued pension benefits payable in the future to members and changes therein during the year are based on an actuarial valuation prepared by an independent firm of actuaries. This valuation for accounting purposes is made as at year end. It uses the projected benefit method pro-rated on service and best estimate assumptions, as at the valuation date, of various economic and non-economic future events. The differences between the financial statement surplus (deficit) resulting from this accounting valuation and the regulatory deficit resulting from the triennial valuation for funding purposes (see Note 1(b)) above) is explained in Note 6.

(j) Use of estimates:

Preparation of the financial statements requires management to make estimates and assumptions, based on the information available as at the date of the financial statements, which affect the reported value of assets and liabilities, and related income and expenses. Such estimates and assumptions affect primarily the value of investments. Actual results could differ from those presented.

3. New accounting standards:

(a) Standards adopted in the current year:

IFRS 13, *Fair Value Measurement* (IFRS 13)

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7. As a result, the Plan has included additional disclosures in this regard (see note 4).

In accordance with the transitional provisions of IFRS 13, the Plan has applied the new fair value measurement guidelines prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Plan's assets and liabilities.

(in thousands of dollars)

3. New accounting standards (continued):

(b) Future accounting changes:

IAS 32, *Financial Instruments: Presentation* (IAS 32)

In December 2011, the IASB issued amendments to IAS 32. The amendment is effective for periods beginning on or after January 1, 2014 and is to be applied retrospectively. The amendment clarifies matters regarding offsetting financial assets and financial liabilities as well as related disclosure requirements. The Plan intends to adopt the amendments to IAS 32 in its financial statements for the annual reporting period beginning January 1, 2014 and does not expect the amendments to have a material impact on the financial statements.

4. Investments:

RBC Investor Services Trust is the custodian of the Plan. Bona Vista Asset Management Ltd., JP Morgan Asset Management Inc., Burgundy Asset Management Ltd., Greystone Managed Investments Inc., State Street Global Advisors Ltd. and Sprucegrove Investment Management Ltd. act as the investment managers for the Plan.

Investments are stated at fair value. Therefore, the values reflected in the Statement of Financial Position represent the maximum market and credit exposure to the Plan as of the reporting date.

a) Money market investments:

	2013	2012
Canadian short-term investments	$ 5,292	$ 4,762

Money market instruments are primarily securities issued by Federal and Provincial governments, Canadian Chartered Banks and Canadian corporations with maturities under one year.

b) Real estate

	2013	2012
Greystone Real Estate Fund Inc.	$ 21,712	$ 19,440

The Real Estate Fund units are valued using the total appraised value of the individual properties, the working capital at cost, and reduced by the underlying mortgages which are valued at amortized cost.

(in thousands of dollars)

4. Investments – continued:

c) Bonds and debentures

	2013	2012
Government and government guaranteed	$ 21,907	$ 24,873
Corporate	10,842	10,247
Pooled fixed income funds	45,676	46,262
Total bonds and debentures	$ 78,425	$ 81,382

The fair value of these instruments is based on quoted bid prices in an active market, when available. When quoted market prices in an active market are not available, the fair value is based on a valuation technique, being the present value of the principal and interest receivable discounted at appropriate market interest rates.

d) Equities

	2013	2012
Canadian common stocks	$ 29,187	$ 28,250
Canadian pooled equity funds	31,127	25,392
U.S. common stocks	162	114
Foreign pooled equity funds	116,417	87,523
Total equities	$ 176,893	$ 141,279

Common stocks represent securities issued by entities that are traded on the TSX or other stock exchanges. Fair value is based on the quoted bid prices as at December 31.

Pooled equity funds do not have a quoted price in active market. Fair value is based on net asset values, obtained from the managers of the funds, which are determined with reference to the fair value of the underlying listed investments of each fund.

4. Investments – continued:

e) Mortgages:

		2013		2012
Bona Vista Mortgage Fund “B”	$	1,549	$	1,829

Mortgages are secured by real estate and represent one to five year loans made at commercial rates to individuals and corporations, amortized over periods ranging from ten to twenty-five years. Mortgages are valued using current market yields. Fair value is based on a valuation technique, being the present value of the principal and interest receivable discounted at appropriate market interest rates.

f) Financial risk management:

i) Risk policy:

The value of the Plan's assets is affected by short-term changes in interest rates and equity markets. Interest rate changes directly impact the value of fixed income securities. Interest rates, along with inflation and salary escalation, also impact the Plan's pension obligations. The Plan manages these risks through the establishment of an appropriate asset mix. The investment policy of the Plan states that the Plan's assets should be prudently managed to assist in avoiding actuarial deficits and excessive volatility in annual rates of return.

The Plan's risk philosophy is that in order to achieve the long-term investment goals, the Plan must invest in assets that have uncertain returns, such as Canadian equities, foreign equities and non-government bonds. The Plan has adopted an asset mix that has a bias to equity investments. The Board of Trustees attempts to reduce the overall level of risk by diversifying the asset classes and further diversifying within each individual asset class.

The Plan has moderate to moderately high risk tolerance. As a result, an investment philosophy with an equity bias has been adopted. The overall risk posture of the Plan is influenced by demographics as well as the funded position of the Plan.

The long-term investment goal of the Plan is to achieve a minimum annualized return of three and one-half percentage points in excess of the Canadian Consumer Price Index. This 3.50% real return objective, is consistent with the overall investment risk level that the Plan could assume in order to meet the pension obligation of the Plan, and normally will be assessed over longer time periods.

(in thousands of dollars)

4. Investments – continued:

The Plan's investment policy contains specific performance objectives for the Plan and for the investment manager. The primary objective is to outperform a benchmark portfolio over moving four-year periods. The benchmark portfolio includes several key market indices such as the S&P/TSX Composite, the S&P 500 Hedged, MSCI EAFE, the DEX Universe Bond Index, the Investment Property Databank, the DEX Mortgage and 91-day T-Bills. A second objective is to equal or exceed market returns over moving four-year periods. A third objective, as previously mentioned, is to achieve a minimum real rate of return of 3.50%; that is, the Canadian Consumer Price Index plus 3.50% over moving four-year periods.

(ii) Credit risk:

Credit risk arises from the potential for an investee to fail or default on its contractual obligation to the Plan. The Plan manages these risks through credit quality limits defined in the Plan's Statement of Investment Policies and Goals. Within the bond portfolio, credit exposure is mitigated by establishing a minimum credit quality for corporate bonds of investment grade (which includes bonds rated AAA, AA, A and BBB or equivalent as rated by an independent rating agency). A maximum of 10% of the bond portfolio is permitted in the lower credit quality BBB bonds, with the remaining 90% required to be in bonds rated A or higher. In addition to ensuring diversification by major asset class, exposure to individual corporate entities is also restricted within the Plan's Statement of Investment Policies and Goals to 10% of the value of individual equity and bond portfolios as well as at the total portfolio level.

Exposure to bond sectors (credit risk):

	2013	2012
Federal	$ 12,757	$ 12,608
Provincial	7,665	9,265
Municipal	1,485	3,000
Corporate	10,842	10,247
Pooled	45,676	46,262
	$ 78,425	$ 81,382

(in thousands of dollars)

4. Investments – continued:

(iii) Foreign currency risk:

The Plan is exposed to foreign currency risk through holding foreign equities where the investment values may fluctuate due to changes in foreign exchange rates. The Plan manages and estimates foreign currency risk by focusing on equity distribution by country invested in. The policy limits foreign currency exposure of bond investments to 10% of market value of the bond portfolio. The exposure to US currency is net of investments in pooled funds where US currency is hedged. At December 31, 2013, the Plan's foreign currency exposure was $116,418 (2012 - $86,072).

	2013	2012
US dollar	$ 56,004	$ 41,161
Euro	16,111	11,693
Japanese yen	9,795	7,802
British pound	12,131	9,397
Swiss franc	7,783	5,583
Hong Kong dollar	2,556	1,814
Other	12,038	8,622
	$ 116,418	$ 86,072

(iv) 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 is the difference arising from differences in the timing and amount of cash flows related to the Plan's assets and liabilities.

At December 31, 2013, the Plan’s interest-bearing financial instruments totaled $83,887 (2012 – $86,144).

	2013	2012
Cash and short term investments	$ 5,460	$ 4,762
Bonds and debentures	78,427	81,382
	$ 83,887	$ 86,144

Modified duration is a measurement of the sensitivity of the price of a fixed income investment to a change in interest rate. All else being equal, the market value of a fixed income investment with a duration of 6 years would be expected to decrease by 6% for every 1% increase in interest rates.

(in thousands of dollars)

4. Investments – continued:

The modified duration of the Plan's fixed income investments is as follows:

	2013	2012
Bona Vista bonds	6.38%	7.11%
State Street Global Advisors bonds	6.72%	6.95%
Short term investments	0.25%	0.25%
Weighted average of bonds	6.58%	7.02%
Weighted average including short term investments	6.18%	6.64%

The Plan holds approximately 29.5% (2012 - 34.5%) of its investments in fixed income securities, 62.3% (2012 - 56.9%) in equities and 8.2% (2012 - 8.6%) in alternatives at December 31, 2013.

(v) Equity price risk:

Equity price risk is the risk that the fair value or future cash flows of an equity investment will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual equity instrument, or factors affecting similar equity instruments traded in the market.

The investment portfolio is directly exposed to equity price risk in respect of its equities which total $176,893 at December 31, 2013 (2012 - $141,279).

(vi) Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Plan's Statement of Investment Policies and Goals sets out requirements for the Plan to maintain an adequate amount of liquid assets with carrying maturities in order to ensure that the Plan can meet all of its financial obligations as they fall due.

As at December 31, 2013, the Plan has other liabilities of $1,192 (2012 - $1,094). Other liabilities relate to accounts payable and accrued expenses and will generally be settled within 90 days of the year end.

As at December 31, 2013, the Plan held cash and money market instruments totaling $5,460 (2012 - $4,762) which are readily available to settle such obligations.

(in thousands of dollars)

4. Investments – continued:

(vii) Fair value hierarchy:

	Level 1	Level 2	Level 3	Balance as at December 31, 2013
Money market investments	$ -	$ 5,292	$ -	$ 5,292
Real estate	-	-	21,712	21,712
Bonds and debentures	-	78,425	-	78,425
Equities	29,349	147,544	-	176,893
Mortgages	-	-	1,549	1,549
	$ 29,349	$ 231,261	$ 23,261	$ 283,871

	Level 1	Level 2	Level 3	Balance as at December 31, 2012
Money market investments	$ -	$ 4,762	$ -	$ 4,762
Real estate	-	-	19,440	19,440
Bonds and debentures	-	81,382	-	81,382
Equities	28,364	112,915	-	141,279
Mortgages	-	-	1,829	1,829
	$ 28,364	$ 199,059	$ 21,269	$ 248,692

There were no significant transfers of investments between Level 1 and Level 2 during 2013 and 2012.

(in thousands of dollars)

4. Investments – continued:

The following table reconciles the Plan's Level 3 fair value measurements from December 31, 2012 to December 31, 2013:

	Mortgages	Real Estate	Total
Balance, beginning of year	$ 1,829	$ 19,440	$ 21,269
Sales	(280)	–	(280)
Gain (loss) included in the statement of changes in net assets available for benefits	–	2,272	2,272
Balance, end of year	$ 1,549	$ 21,712	$ 23,261

5. Pension obligation:

An actuarial valuation was prepared as of December 31, 2012 by AON Hewitt, a firm of consulting actuaries. The pension obligation reflected in the Statement of Changes in Pension Obligation as at December 31, 2013 is based on an extrapolation of the 2012 valuation.

The assumptions used in determining the actuarial value of accrued pension benefits were developed by reference to expected long-term market conditions. Significant long-term actuarial assumptions used in the valuation were:

	2013	2012
Expected return on plan assets	6.60%	6.60%
Inflation rate	2.50%	2.50%
Rate of compensation increase (including inflation component)	3.50%	3.50%
Discount rate per annum for all members	6.60%	6.60%
Average remaining service period of active employees	13.0 years	13.0 years

Changes in actuarial assumptions between 2011 and 2012 resulted in a decrease in the pension obligation of $2,572. In 2013, there were no further changes to actuarial assumptions.

Experience gains and losses represent the change in pension obligation due to the difference between actual economic and demographic experience and expected experience. During 2013, experience losses were $nil (2012 - $1,200).

The excess (deficiency) of net assets available for benefits relative to the pension obligation results in the Plan being in a surplus position of $3,291 as at December 31, 2013 (2012 – deficit position of $21,645).

(in thousands of dollars)

6. Funding policy:

Effective January 1, 2013, the employee and the Board of Police Commissioners required the contribution rate to be increased from 8.34% to 9.0%.

The Board of Police Commissioners' funding policy is to make monthly contributions to the Plan in amounts which match the employee's contributions, with the exception of some buybacks exercised by the employee for which the Board of Police Commissioners has no obligation to contribute.

The most recent actuarial valuation for funding purposes was prepared by AON Hewitt as of December 31, 2012 and a copy of the valuation was filed with the Financial and Consumer Affairs Authority of Saskatchewan. This valuation disclosed a going concern unfunded liability of $21,400. The effective date of the next actuarial valuation is expected to be December 31, 2015.

The Pension Benefits Act, 1992 (Saskatchewan) requires that an actuarial certificate be filed with the Financial and Consumer Affairs Authority of Saskatchewan at least every three years, or earlier if the plan is significantly amended.

7. Administration expenses:

	2013	2012
Actuarial fee	$ 148	$ 18
Administrative expenses	84	222
Bank interest	30	32
Custodial fees	20	18
Total administrative expenses	$ 282	$ 290