Public Employees Dental Fund

Annual Report for 2020

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Saskatchewan

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Letters of Transmittal

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

May it Please Your Honour:

I have the honour to transmit herewith the twenty-ninth Annual Report of the Public Employees Dental Fund for the year ending December 31, 2020.

Donna Harpauer
Minister of Finance

The Honourable Donna Harpauer
Minister of Finance

Madam:

On behalf of the Public Employees Benefits Agency, I have the honour to transmit herewith the twenty-ninth Annual Report of the Public Employees Dental Fund for the year ending December 31, 2020.

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

Public Employees Dental Fund

Introduction

The Public Employees Dental Plan was established on February 1, 1982.

The intent of the Plan is to promote good dental health by reducing costs for preventive, routine and major restorative dental work.

Coverage is provided to employees of Executive Government, several Crown Corporations and various Agencies, Boards and Commissions as approved by the Lieutenant Governor in Council.

Spouses and dependent children are also eligible for coverage under the Plan.

As at December 31, 2020, there were 26,878 insured employees.

Participating Employers

The following employers participate in The Government of Saskatchewan Public Employees Dental Plan:

Advocate for Children and Youth (Office of the)
Board of Arbitration under *The Surface Rights Acquisition and Compensation Act* (The)
Chief Electoral Officer (Office of the)
eHealth Saskatchewan[1]
Farm Land Security Board
Financial and Consumer Affairs Authority of Saskatchewan
Global Transportation Hub Authority (The)
Information and Privacy Commissioner (Office of the)
Information Services Corporation
Innovation Saskatchewan
Leader of the Opposition (Office of the)
Legislative Assembly Service
Liquor and Gaming Authority
Livestock Services of Saskatchewan Corporation[2]
Meewasin Valley Authority
NDP Caucus Office
Ombudsman (Office of the)
Prairie Diagnostic Services Inc.
Provincial Archives of Saskatchewan
Provincial Auditor (Office of the)
Provincial Capital Commission
Public Interest Disclosure Commissioner (Office of the)
Residential Tenancies (Office of)
Safe Saskatchewan Inc.
Saskatchewan Archives Board
Saskatchewan Arts Board
Saskatchewan Assessment Management Agency
Saskatchewan Centre of the Arts
Saskatchewan Crop Insurance Corporation
Saskatchewan Government Insurance
Saskatchewan Health Authority, with respect to employees who were members of the Saskatchewan Government and General Employees' Union and were transferred to the Authority on April 1, 2018 pursuant to clause 9-1(1)(b) of the Provincial Health Authority Act[3]
Saskatchewan Human Rights Commission
Saskatchewan Impaired Driver Treatment Centre
Saskatchewan Milk Marketing Board
Saskatchewan Municipal Board
Saskatchewan Party Caucus
Saskatchewan Polytechnic
Saskatchewan Pork Development Board
Saskatchewan Power Corporation
Saskatchewan Professional Teachers Regulatory Board
Saskatchewan Telecommunications Holding Corporation
SaskBuilds Corporation
SaskEnergy Incorporated
Technical Safety Authority of Saskatchewan[4]
TransGas Limited
Wakamow Valley Authority
Wanuskewin Heritage Park Authority
Western Development Museums
Workers' Compensation Board (The)

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1 *Employer left the Plan effective August 31, 2020*
2 *Employer left the Plan effective December 31, 2019*
3 *Employer left the Plan effective September 27, 2020*
4 *Employer left the Plan effective January 31, 2020*

The Government of Saskatchewan with respect to the following individuals:

Advocate for Children and Youth
Assistant Chief Electoral Officer
Chief Electoral Officer
Conflict of Interest Commissioner
Director of Residential Tenancies
Information and Privacy Commissioner
Judges of the Provincial Court
Legislative Assembly (Members of the)
Members of the Public Service of Saskatchewan as defined by *The Public Service Act, 1998*
Ombudsman
Provincial Auditor
Senior Justices of the Peace appointed pursuant to The Justices of the Peace Act, 1988 who are not court officials
Justices of the Peace appointed pursuant to the Justices of the Peace Act, 1988 who are not court officials

Administration

The Public Employees Dental Plan is self-insured and is managed by the Public Employees Benefits Agency, Ministry of Finance.

The Canada Life Assurance Company is on contract under an Administrative Services Only agreement to provide claims adjudication and benefit payment services to the Plan.

Funding

Funding for the Plan is totally employer paid as a percentage of gross salary. Effective April 1, 2003, premium funding was paid at a straight rate of 0.9 per cent of gross salary.

Effective April 1, 2006, premium funding was paid at a straight rate of 1.4 per cent of gross salary.

Effective July 1, 2009, premium funding was paid at a straight rate of 1.15 per cent of gross salary.

Effective April 1, 2014, premium funding was paid at a straight rate of 0.85 per cent of gross salary.

Benefits

The Plan provides three levels of coverage as follows:

		Reimbursement
Level I	Preventive Services	100%
Level II	Basic & Routine Services	75%
Level III	Major Restorative Services	50%

Eligible dental expenses are reimbursed to a maximum of the fees outlined in the suggested fee guide issued by the College of Dental Surgeons of Saskatchewan.

Additional coverage for enhanced dental benefits has been provided for certain employer and union groups.

Contributions/Claims Experience

	Dec 31, 2020	Dec 31, 2019
Contributions	$24,500,351	$23,810,896
Claims	$23,410,868	$28,234,068
Claims Paid (# of)	90,802	114,011

Management's Report

To the Members of the Legislative Assembly of Saskatchewan

As members of management of the Public Employees Dental Fund, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian public sector accounting standards applied on a basis consistent with that of the preceding year.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

The Public Employees Dental Fund has a system of internal controls adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian public sector accounting standards.

Enclosed are the financial statements of the Public Employees Dental Fund for the year ended December 31, 2020, and the Provincial Auditor's report on these financial statements.

Regina, Saskatchewan
April 7, 2021

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

Public Employees Dental Fund

Financial Statements
Year Ended December 31, 2020

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

Opinion

We have audited the financial statements of the Public Employees Dental Fund, which comprise the statement of financial position as at December 31, 2020, and the statements of operations and changes in net financial assets, and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Public Employees Dental Fund as at December 31, 2020, and the results of its operations and changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Public Employees Dental Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the *Public Employees Dental Fund Annual Report for 2020*, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or any knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

Those charged with governance are responsible for overseeing the Public Employees Dental Fund's financial reporting process.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Public Employees Dental Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Public Employees Dental Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Public Employees Dental Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control identified during the audit.

Judy Ferguson

Regina, Saskatchewan
April 7, 2021

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

Public Employees Dental Fund **Statement 1**
Statement of Financial Position

As At December 31

	2020	2019
Financial Assets		
Due from General Revenue Fund (Note 3)	$ 13,510,425	$ 12,663,116
Employer Contributions Receivable	978,722	1,165,839
Interest Receivable	3,832	58,548
Total Assets	14,492,979	13,887,503
Liabilities and Net Assets		
Liabilities:		
Accounts Payable and Accrued Liabilities (Note 4)	153,230	130,797
Provision for Unpaid Claims (Note 7)	744,252	717,064
Total Liabilities	897,482	847,861
Net Financial Assets (Statement 2)	$ 13,595,497	$ 13,039,642

(See accompanying notes to the financial statements)

Public Employees Dental Fund **Statement 2**
Statement of Operations and Change in Net Financial Assets

Year Ended December 31

	2020		2019
	Budget (Note 9)	**Actual**	**Actual**
Revenue			
Employer Contributions	$ 24,454,064	$ 24,500,351	$ 23,810,896
Interest (Note 3)	180,516	74,200	263,959
Transfer from Extended Health Care Plan (Note 1)	1,000,000	500,000	500,000
	25,634,580	25,074,551	24,574,855
Expenses			
Claims Incurred	29,678,522	23,410,868	28,234,068
Adjudication Fees	1,181,205	940,089	1,132,957
Administration Expenses (Note 4)	144,059	167,739	104,118
	31,003,786	24,518,696	29,471,143
(Deficit) Surplus for the Year	(5,369,206)	555,855	(4,896,288)
Net Financial Assets, Beginning of Year	13,039,642	13,039,642	17,935,930
Net Financial Assets, End of Year (Statement 1)	$ 7,670,436	$ 13,595,497	$ 13,039,642

(See accompanying notes to the financial statements)

Public Employees Dental Fund **Statement 3**
Statement of Cash Flow

Year Ended December 31

	2020	2019
Cash Flows From (Used in) Operating Activities:		
Employer Contributions Received	$ 24,687,468	$ 23,708,429
Interest Received	128,916	280,749
Transfer Received	500,000	500,000
Claims Paid	(23,383,680)	(28,209,848)
Provincial Sales Taxes Received	-	41,043
Administration Expenses Paid	(142,193)	(138,215)
Adjudication Fees Paid	(943,202)	(1,046,386)
Net Increase (Decrease) in Cash	847,309	(4,864,228)
Due from General Revenue Fund, Beginning of Year	12,663,116	17,527,344
Due from General Revenue Fund, End of Year	$ 13,510,425	$ 12,663,116

(See accompanying notes to the financial statements)

Public Employees Dental Fund
Notes to the Financial Statements

December 31, 2020

1. Description of the Fund

The Public Employees Dental Fund (Dental Fund) is used to account for the transactions of the Public Employees Dental Plan (Plan). The Plan was established February 1, 1982, and continues under subsection 64(2) of *The Financial Administration Act, 1993*. The Plan is designed to promote good dental health among plan members by reducing the members' costs for preventive, routine and major dental services. The Plan consists of core and enhanced dental benefits.

The Plan is funded entirely by the employers who are members of the Plan. Employers consist of the Public Service of Saskatchewan as defined by *The Public Service Act, 1998,* and certain Saskatchewan Crown agencies, whose participation in the Plan has been approved by the Lieutenant Governor in Council.

Participating employers pay for the core benefits by contributing 0.85 per cent of gross salary.

Enhanced dental benefits are provided to employees of certain participating employers. Each participating employer pays for any enhanced benefits it provides to its employees. Participating employers pay for these enhanced benefits by contributing a straight percentage of gross salary, a predetermined amount per employee, or lump-sum payments. These employers are responsible to ensure amounts contributed are sufficient to pay for the enhanced benefits and administration costs. If amounts contributed are not sufficient to pay for the enhanced benefits and administration costs, the employers must remit additional contributions. Where contributions exceed the enhanced benefits and administration costs, employers may seek a refund of surplus contributions by submitting a formal request to the Dental Fund. At December 31, 2020, an accumulated surplus of $2,728,556 (2019 - $2,381,479) relating to the enhanced benefits is included in net financial assets.

The Extended Health Care Plan, Joint Board of Trustees (Joint Board) authorized the Public Employees Benefits Agency (PEBA) to transfer adequate resources from the PS/GE SGEU Benefit Plans' Surplus Fund to the Dental Fund in order to provide enhanced dental benefits to participating SGEU members to December 31, 2020. Accordingly, on January 7, 2020, the Joint Board authorized a transfer of $500,000 (2019 - $500,000) from the PS/GE SGEU Benefit Plans' Surplus Fund to the Dental Fund.

PEBA administers the Plan. Under an agreement with The Canada Life Assurance Company, claims are adjudicated and processed for payment.

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian public sector accounting standards. These statements do not present a Statement of Remeasurement Gains and Losses as the Plan has no remeasurement gains or losses. The following accounting policies are considered significant:

a) Employer Contributions

Employers are billed premiums at the end of each month. Premiums are recognized as revenue when due.

b) Interest Revenue

Interest is recognized as income when earned.

c) Transfers from Extended Health Care Plan

Extended Health Care Plan Transfers are recorded as income when authorized by the Joint Board.

d) Unpaid Claims

The provision for unpaid claims represents a provision for the cost of claims reported but not paid prior to year-end and an estimate of claims incurred but not reported based upon past claims experience.

e) Accounts Payable and Accrued Liabilities

The estimate of adjudication expenses to be incurred on claims not yet paid is included in the provision for accounts payable.

f) Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets, if any, at the date of the financial statements and the reported amounts of revenue and expenses for the year. Significant items subject to such estimates and assumptions include the determination of the provision for unpaid claims and adjudication expenses to be incurred on claims not yet paid. Claims payable includes an estimated accrual for unpaid claims not reported for 2020 of $744,252 (2019 - $717,064) with related adjudication expenses on these claims of $29,621 (2019 - $28,539). Actual results could differ from those estimates.

g) Financial Assets and Liabilities

The Canadian Public Sector Accounting Handbook, Section 3450 establishes standards for recognizing and measuring financial assets and financial liabilities. The measurement basis depends on whether the financial assets or liabilities have been categorized in one of two measurement categories: fair value, cost or amortized cost.

The Dental Fund's financial assets include due from the General Revenue Fund, employer contributions receivable, and interest receivable. The Dental Fund's financial liabilities include accounts payable and accrued liabilities, and the provision for unpaid claims. The Dental Fund has categorized and measured all its financial assets and financial liabilities at cost. The Dental Fund has no derivative financial instruments and does not have any contracts with embedded derivatives.

3. Due from General Revenue Fund

The Dental Fund bank account is included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan.

The Dental Fund's interest income is calculated and paid by the General Revenue Fund on a quarterly basis into the Dental Fund's bank account using the Government's thirty-day borrowing rate, and the Dental Fund's average daily bank account balance. The Government's average thirty-day borrowing rate in 2020 was 0.59 per cent (2019 – 1.73 per cent).

4. Administration Expenses

PEBA administers the Dental Fund for a mutually agreed upon fee. The Dental Fund pays these administration expenses on dates agreed to by PEBA. Included in accounts payable is $35,930 (2019 - $10,384) due to PEBA.

5. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Plan by virtue of common control by the Government of Saskatchewan, as well as key management personnel and their close family members (collectively referred to as "related parties"). Related party transactions with the Plan are in the normal course of operations and are recorded at fair market value.

6. Financial Risk Management

The nature of the Dental Fund's operations results in a statement of financial position that consists primarily of financial instruments. The risks that arise are credit risk and liquidity risk. The Dental Fund is not exposed to any market risk as the Dental Fund does not invest excess cash outside of its bank account.

Credit risk

Credit risk is the risk that one party does not pay funds owed to another party. The Dental Fund's credit risk arises primarily from the following distinct sources:

	2020	2019
Due from General Revenue Fund	$ 13,510,425	$ 12,663,116
Employer Contributions Receivable	978,722	1,165,839
Interest Receivable	3,832	58,548

The maximum credit risk to which the Dental Fund is exposed is limited to the carrying value of the financial assets summarized above.

Credit risk is managed by dealing with only reputable sources. Risk on employer contributions receivable is minimal as all monthly contributions are due from employers within 30 days. The Due from General Revenue Fund account is minimal risk as the funds are held in the Dental Fund's own bank account under the Consolidated Offset Bank arrangement for the Government of Saskatchewan. The risk on the interest receivable is minimal as the receivable relates to bank interest. There has been no change in the risk exposure in 2020.

Liquidity risk

Liquidity risk is the risk that the Dental Fund is unable to meet its financial obligations as they fall due. The Dental Fund manages this risk by holding significant funds in its bank account (Due from General Revenue Fund). There has been no change in the risk exposure in 2020.

7. Provision for Unpaid Claims

The provision for unpaid claims includes claims that have been incurred but not yet reported at year-end.

Management estimated the claims incurred but not reported at year-end totaled $744,252 (2019 - $717,064). The establishment of the estimate for unpaid claims incurred but not yet reported relies on a number of factors which necessarily involves risks that the actual results may differ materially from the estimates in the near term. However, dental claims are short-term claims and tend to be reasonably predictable.

Claims reported but not paid until January 2021, totaled $49,680 (January 2020 - $88,925). In 2020, the Dental Fund paid $715,165 related to claims incurred prior to December 31, 2019 (2019 - $834,890).

8. Provincial Sales Tax

PST of six per cent applied to all claims incurred and adjudication expenses with an effective date on or after August 1, 2017.

On February 26, 2018, the Government of Saskatchewan announced that there will be a reinstatement of the PST exemption on life and health insurance premiums. The exemption was retroactive to August 1, 2017. In 2019, the Plan had received the remaining PST receivable of $41,043 from Canada Life Assurance Company (formerly Great West Life).

9. Budget

PEBA approved the annual budget for the Dental Fund on January 10, 2020.

10. Impact of COVID-19

The COVID-19 pandemic has caused material disruption to organizations and resulted in the closure of Dental offices and reduced services for a period of time in 2020. Dental office closures and reduced services resulted in lower claims incurred in 2020.