

SASKTEL PENSION PLAN NEWS

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The 2009 Annual Pension Increase

is 0.3% based on the increase in the average Consumer Price Index (CPI) for **Canada** which was 0.3% from December 2008 to December 2009. The increase is applied in April 2010.

Reminder: The individual indexing letters will not be mailed to every retiree as was done each April in the past. Please refer to your April remuneration statement for specific details of your increase in pay.

2010/2011 Pension Payment Schedule

Friday	April 30
Monday	May 31
Wednesday	June 30
Friday	July 30
Tuesday	August 31
Thursday	September 30
Friday	October 29
Tuesday	November 30
Thursday	December 23
Monday	January 31
Monday	February 28
Thursday	March 31

Investment Returns & Financial Highlights

The SaskTel Pension Fund yielded a **13.8%** return for the 12 months ended **December 31, 2009** which trailed the benchmark of 15.3%, but exceeded the expected return of 6.5% and represented a substantial bounce back from the -15.2% return in 2008.

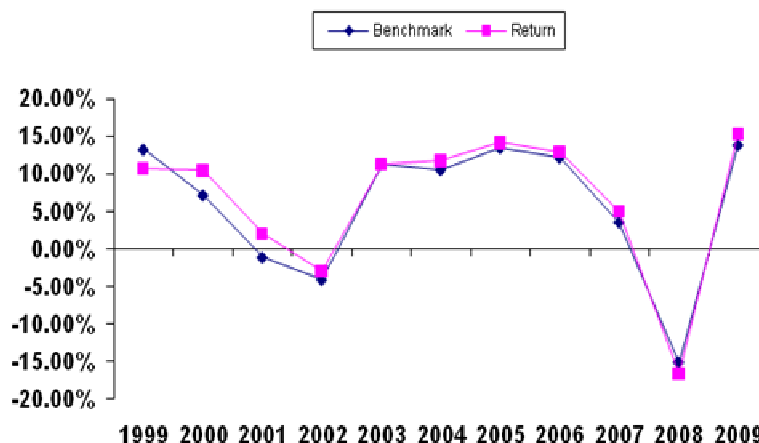
While equity markets led the 2009 return, the underperformance reflected the fact that many equity managers lagged the strong

market rally that started in March 2009. From a Canadian perspective, the market rally was led by Financials, Energy, and Materials.

For the 4 years ended December 31, 2009, the Fund had an annualized gross rate of return of 3.4% compared to the benchmark of 2.8%.



Historical Annual Returns %

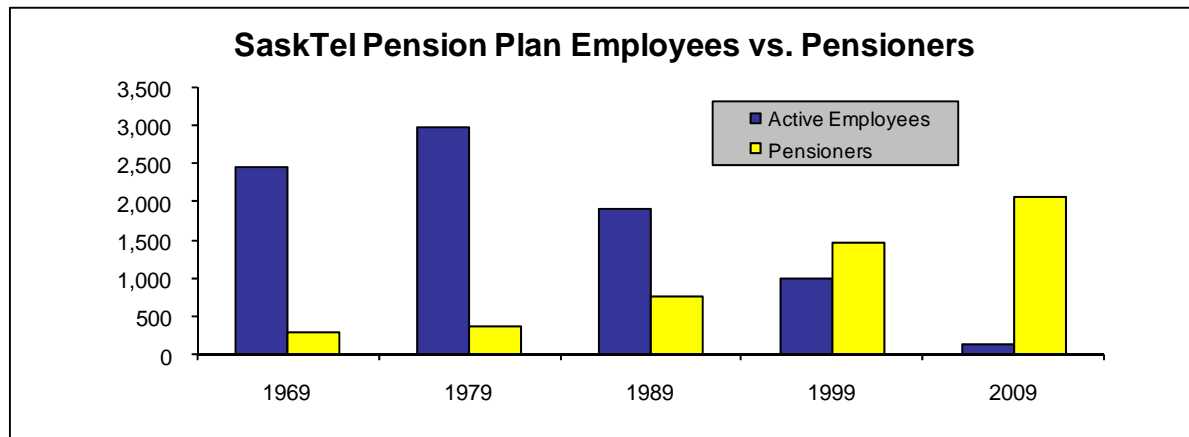


Annual Report Highlights

The Annual Report is no longer being mailed to every retiree. The highlights of the Annual Report are communicated on pages 3 & 4 of the Annual Newsletter. To view the complete Annual Report, visit the SaskTel website at www.sasktel.com/about-us/company-information/financial-reports/index.html

If you do not have access to the Internet and require a paper copy, let us know and we will mail one to you.





PRESENT RETIREES AT THE END OF THE 82ND YEAR PERIOD

		Average Age	As at Dec. 31, 2009	As at Dec. 31, 2008
Retirees 65 & Over	Males	73.88	560	537
	Females	75.57	290	284
Retirees Under 65	Males	57.93	635	670
	Females	56.98	316	330
Dependants	Spouses	74.72	246	239
	Children	15	1	0
Split Pensions	Males	0	0	0
	Females	65.19	14	14
			2,062	2,074

NUMBER OF EMPLOYEES UNDER THE PROVISIONS OF THE SASKATCHEWAN TELECOMMUNICATIONS PENSION PLAN AT DECEMBER 31, 2009

	<u>Male</u>	<u>Female</u>	<u>Total</u>
DirectWest Employees	-	6	6
ISM Employee	-	1	1
CIC Employee	-	-	-
CEP Employee	-	-	-
SaskTel Employees	<u>104</u>	<u>31</u>	<u>135</u>
Total	<u>104</u>	<u>38</u>	<u>142</u>

Plan Membership as at December 31, 2009	
Employee Members	142
Retired Members	<u>2,062</u>
Total Members	2,204

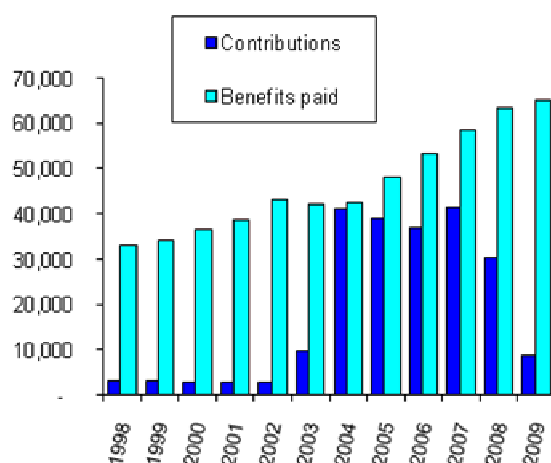
Benefits Paid & Contributions

Contributions decreased from \$30.4 million in 2008 to **\$8.8 million in 2009**. SaskTel contributed \$8.3 million in 2009 (\$29.6 in 2008). Decreased com-

pany contributions are a result of the reduced solvency payments due to the 2007 valuation. Employee contributions decreased from \$0.7M in 2008 to

\$0.5M in 2009 due to a reduction of contributing members as a result of the Early Retirement Program (ERP).

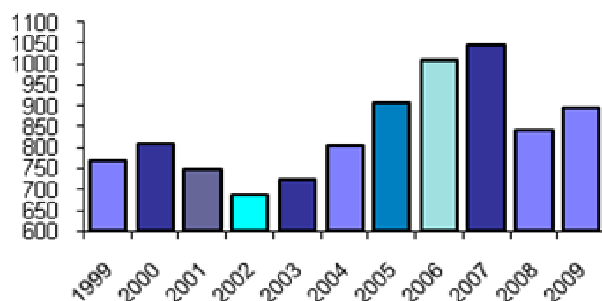
Benefits Paid and Contributions
\$ (thousands)



Net assets available for benefits increased by 6.2% in 2009

Net Assets Available for Benefits

SaskTel Pension Plan
Net Assets
\$ (millions)



\$ (thousands)	2009	2008
Net assets available for benefits - opening balance	\$844,271	\$1,044,345
Plus: Investment Income	27,520	58,818
Contributions	8,806	30,382
Less: Benefits Expenses	65,201	63,273
	2,535	2,627
Unrealized gains (losses)	83,445	(223,374)
Net assets available for benefits at year end	\$896,306	\$844,271

Market Update from TD Asset Management

Overall, Canadian bonds posted slightly negative returns for the fourth quarter due to the weak performance of mid and long-term government bonds. Corporate bond results were positive across the yield curve as credit spreads continued to tighten. Corporate issues posted strong returns for all of 2009, significantly outperforming government bonds, as credit spreads narrowed from the historically wide margins witnessed at the end of 2008 to where they were before the failure of Lehman Brothers in September 2008.

Canadian Economic Growth

After a year of contraction, the Canadian economy expanded by an annualized rate of 0.4% in the third quarter of 2009. The growth was driven by strong domestic demand. The fourth quarter began on a positive note, as the economy grew 0.2% in October. The Canadian economy unexpectedly shed 2,600 jobs in December, bringing the total number of jobs lost in 2009 to almost 240,000. The unemployment rate held at 8.5%, close to an 11-year high of 8.7% set in August.

Canadian Dollar

The Canadian dollar appreciated 1.6% against its U.S. counterpart, ending the period at 95.06 cents US versus 93.51 cents at the beginning. It reached a high of 97.24 cents mid-October. It was up 15.9% from 82.02 cents US a year ago. The Canadian dollar has continued to benefit from strong

commodity prices and the prospect of a better economic environment ahead. As well, the U.S. dollar found support towards year-end on speculation the U.S. Federal Reserve might be moving closer to withdrawing stimulus measures as the economy improves.

Inflation

Headline inflation fell 0.3% in December and consumer prices rose 1.3% from a year earlier, less than forecast on lower costs for mortgage interest, natural gas and clothing. In November, prices were 1.0% higher than a year ago. Core inflation also rose 0.3% in December. The annual core rate was unchanged at 1.5%. The Bank of Canada's inflation target is 2.0%.

Real Interest Rates

Real interest rates were lower in December compared with November, as the rise in long-term bond yields was less than the increase in the annual inflation rate. Core rates of inflation in Canada and the U.S. currently seem to be contained.

Interest Rates

The Bank of Canada held the overnight rate at 0.25% at its January meeting, and reiterated that it intends to leave it unchanged until mid-2010, conditional on the outlook for inflation. The Bank of Canada said that the global economic recovery is underway, and that Canada's recovery continues to be led by policy support, increased

confidence, improving financial conditions, global growth and trade. However, a strong Canadian dollar and weak U.S. demand continue to place a drag on economic activity. Also unchanged is the Bank of Canada's view that inflation is likely to stay below its 2% target until the third quarter of 2011.

Corporate Spreads

Over the three months, government and corporate bond yields generally rose across the yield curve, though less so in the case of corporate bonds. As a result, corporate bonds outperformed Government of Canada bonds in all three segments of the market - short-, mid- and long-term.

Geopolitical Concerns

We continue to be aware that geopolitical developments and shocks to the economy could materially affect business and consumer sentiment, and consequently economic growth, not just in Canada but also around the world.

Sources: Bloomberg, TDAM. The statements contained herein are based on material believed to be reliable. Where such statements are based in whole or in part on information provided by third parties, they are not guaranteed to be accurate or complete. The information does not provide individual financial, legal, tax or investment advice and is for information purposes only. Graphs and charts are used for illustrative purposes only and do not reflect future values/changes. Past performance is not indicative of future returns. TD Asset Management Inc., The Toronto-Dominion Bank and its affiliates and related entities are not liable for any errors or omissions in the information or for any loss or damage suffered.

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Actuary News

An actuarial valuation was completed in 2008, based on 2007 financial results. The *Pension Benefits Regulations 1993* requires actuarial valuations to be filed at least every three years. The previous valuation was prepared as of December 31, 2006.

A Funding valuation considers benefits earned to-date as well as future benefits to be earned and contributions to be made. A Solvency valuation determines the solvency position of the plan if it were wound up on the valuation date. An Accounting valuation is used for financial reporting purposes and provides a valuation based on benefits earned to the valuation date.

The results of the previous three years are as follows:

<u>Valuation</u>	<u>2009 Extrapolated</u>	<u>2008 Extrapolated</u>	<u>2007 Valuation</u>
Funding	\$(50M)	\$(112M)	\$95M
Solvency	\$(216M)	\$(218M)	\$(59M)
Accounting	\$(80M)*	\$18M	\$21M



*Based on accounting standards at December 31, 2009

SaskTel Pension Board Governance Update

Even though the market has recovered somewhat in 2009, the SaskTel Pension Board would like to give a governance update to provide members assurance that the Plan's risks are being managed as per prescribed guidelines.

Hiring Expertise

The SaskTel Pension Board is responsible for the governance of the Pension Plan. The Board has an investment consultant (Hewitt Associates), four investment managers (Greystone, TD Asset Management, Beutel Goodman, and GMO), all with unique management styles, an actuary (Aon Consulting), and a custodian (RBC Dexia) to assist in managing the investment of the Plan assets.

Governance Process

SaskTel Pension Plan Board adheres to the policies set out in the governance manual. This governance manual provides information on the governance structure, structure of the Board, conduct of meetings, conflict of interest, duties and responsibilities, Board development and effectiveness, Plan management and administration, investment manager roles and responsibilities, investment consultant's roles and responsibilities, Plan actuary roles and responsibilities, other parties' roles and responsibilities, and general provisions. In addition, every year the Board completes an activity chart to ensure that they have met all obligations including an assessment of all investment managers and consultants engaged by the Plan.

Investment Strategy & Monitoring

The SaskTel Pension Board manages the investments of the plan, through a formal Statement of Investment Policies and Goals (SIP&G). The SIP&G provides a framework for the prudent investment and administration of the pension fund. The policy also provides the investment managers with a written statement of specific quality, quantity, and rate of return standards.

Frequently Asked Questions:

Question	Answer
Who should I contact if I have a change in address or banking detail or for any other questions regarding the SaskTel Pension Plan?	See contact information listed on the cover page of the newsletter . Note: Please do not send address changes to Cash Management (the return address shown on your monthly remuneration statement).
When can I apply for Canada Pension Plan (CPP) benefits?	Any time between the ages of 60 and 70
If I apply for CPP at age 60, do my SaskTel Pension Plan benefits get reduced at that time?	No, your SaskTel Pension Plan benefits do not get reduced until age 65 regardless of when you apply for CPP benefits.
When am I eligible to apply for Old Age Security (OAS) benefits?	At age 65
Where can I obtain information about the CPP and OAS programs?	Contact Service Canada at 1-800-277-9914 or visit their website at: http://www.servicecanada.gc.ca/eng/lifeevents/retirement.shtml
Why is the monthly average year over year CPI used to calculate the annual pension increase percentage?	It is defined in Article 2.1(7) of the plan text.
Would the total of the annual increases over the last 10 years have been higher if the monthly average wasn't used?	No, the total of the annual increases for the last 10 years using the monthly average CPI was 18.13% , but if the year over year CPI had been used the total increase would have been 16.81%. Although the monthly average CPI was lower than the year over year CPI in 2009, using the average calculation benefits the pensioners more frequently than the year over year calculation.

Proposed Changes to the SaskTel Pension Plan Text

As a result of changes to legislation, the SaskTel Pension Board determined that the SaskTel Pension Plan Text required updating.

The **first change** was an amendment to the Saskatchewan Human Rights Code. This change passed in the legislation and came into force on November 17, 2007 which **gave members the option to continue working after age 65**. The SaskTel Pension Plan text stated that the member must retire by the end of the month of their 65th birthday which will no longer be the case upon compliance with this Human Rights Code amendment.

The **second change** was an amendment to the Income Tax Act increasing the Maximum age to begin collecting a pension from age 69 to age 71 which **allowed individuals to delay receipt of pensions to age 71**.

To address both these legislative changes, SaskTel has recommended the following modifications to the SaskTel Pension Plan Text:

- Reference to mandatory retirement at age 65 was removed
- Reference to members starting to collect a pension at age 69 was removed.
- Addition to the Plan Text: 'A member over the maximum age prescribed by the Income Tax Act can work at SaskTel and collect a pension at the same time. However, members will not accrue additional pension while collecting a pension from the Plan.'

To summarize, members must reach age 71 which is the current age prescribed under the Income Tax Act, in order to collect a pension **and** continue to work at SaskTel simultaneously.

The **third change** is to the definition of "Best Average Salary" which would continue to **allow individuals to include salary earned after 35 years of service to be included in "their best average salary"**.

To date, these changes have been approved by the CEP and SaskTel. The next steps are to have the amendments approved by Saskatchewan Finance—Pension Benefits Branch and the CRA Registered Plans Division. The SaskTel Pension Plan Board will inform the members when final approval has been granted.