Saskatchewan Telecommunications Pension Board

80th Annual Report and Financial Statements

Year ended December 31, 2007

BOARD MISSION STATEMENT

The Board is committed to pursuing sound governance practices in discharging its responsibilities as administrator of the Pension Plan. The Board strives to ensure the Pension Plan is administered always in an effective manner and consistent with the fiduciary duties owed to plan members and other stakeholders.

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MESSAGE FROM THE CHAIR

Dale Hillmer, **Chairperson**
Larry Bolster, **Member**
Mike Anderson, **Member**
Dale Baron, **Member**
Brian Renas, **Member**

To: All Contributors/Pensioners in the SaskTel Pension Plan

I am pleased to submit herewith extracts from the annual report of the Saskatchewan Telecommunications Pension Plan for the year ended December 31, 2007 including the financial statements audited by the External Auditor.

Copies of the complete annual report are on file in the Pension Board office, 6th Floor, 2121 Saskatchewan Drive, Regina, Saskatchewan.

The overall rate of return for the Fund in 2007 was 5.0%. Over the year, Canadian and Emerging Markets equities provided strong returns, offset by muted bond returns and negative foreign equity returns.

Group 1 of Phase III of SaskTel's Early Retirement Program (ERP), has elected with a take rate of 77.9%. Group 2 in Phase III will elect on April 30, 2008.

The Corporation, SaskTel, has the ultimate responsibility to ensure that pension benefits are paid. As a result of the actuarial valuation completed during 2007, SaskTel will continue with additional funding to the plan until another valuation is completed. Contributions amounted to over 40 million dollars in 2007 (over 35 million dollars in 2006).

If you have any questions or concerns, regarding the financial statements or any other matter, please do not hesitate to call Wendell Anderson at (306) 777-5100, Marg Selinger at (306) 777-2555 or Leeann Debert at (306) 777-2550.

Sincerely,

Dale Hillmer
Chairperson

March 25, 2008

PLAN MEMBERSHIP

PLAN MEMBERS AS AT DECEMBER 31, 2007

Employee Members	243
Retired Members	2,004
Total Members	2,247

PRESENT RETIREES AT THE END OF THE 80TH YEAR PERIOD

	As At Dec. 31, 2007		Average Age	As At Dec. 31, 2006
Retirees	515	Males	73.46	508
65 and Over	284	Females	74.78	276
Retirees	651	Males	57.29	598
Under 65	309	Females	56.04	294
Dependants	230	Spouses	74.18	221
	1	Children	17.70	1
Split Pensions	0	Males	0	0
	14	Females	63.92	13
	2,004			1,911

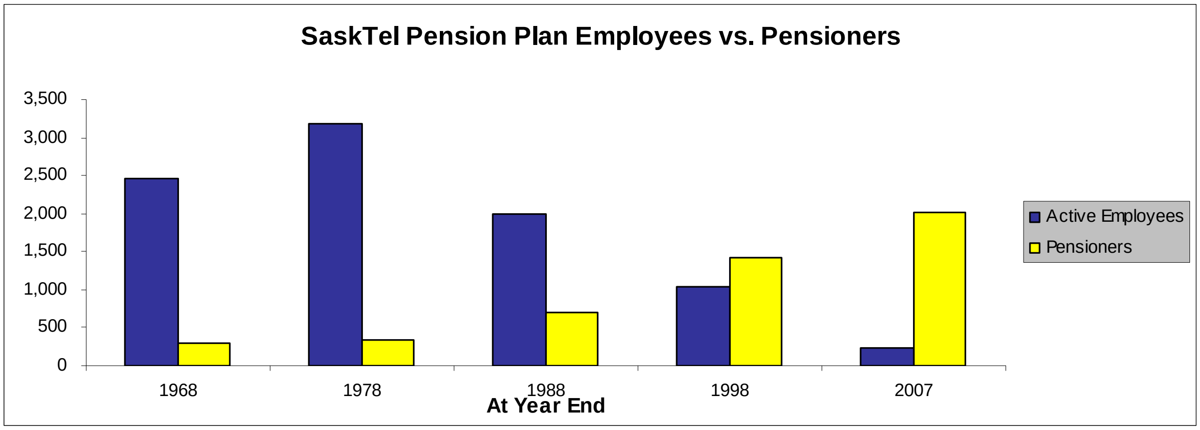
CUMULATIVE RETIREMENTS May 1, 1928 to December 31, 2007

	Male	Female	Total
Age Limit	195	81	276
Optional Retirement	1,430	715	2,145
Ill Health	49	25	74
*Ill Health Re-Employed			3
*Widows/Widowers			448
*Children			84
*Split Pensions			14
	1,674	821	3,044

*not tracked by Male/Female – only the total is available for these categories

NUMBER OF EMPLOYEES UNDER THE PROVISIONS OF THE SASKATCHEWAN TELECOMMUNICATIONS PENSION PLAN AT DECEMBER 31, 2007

	Male	Female	Total
Direct West Employees	-	7	7
ISM Employee	-	1	1
CIC Employee	-	1	1
CEP Employee	1	-	1
SaskTel Employees	174	59	233
Total	175	68	243



SIGNIFICANT EVENTS 2007

EARLY RETIREMENT PROGRAM

SaskTel announced a voluntary Early Retirement Program (ERP) in September 2004. The ERP has been undertaken to reduce operating costs and manage the employee demographic profile in the context of a changing labour market. Phases I and II are complete, Phase III (2008 – 2009) of the ERP was approved in June 2007. Group 1 of Phase III has elected, with 53 members electing to accept the ERP which is 77.9%. Group 2 of Phase III will elect on April 30, 2008.

The basic parameters for Phase III are consistent with Phase I & II as follows:

1. To be eligible an employee must meet one of the following criteria:
   - The employee's age is not less than 61 years; or
   - The employee's years of pensionable service is not less than 31 years; or
   - The employee's age, added to years of pensionable service, is not less than 85.
2. Employees eligible in the early phases of the program will not be eligible to participate in any future phases if they decline to participate when they are first eligible.
3. Benefits under this ERP are as follows:
   - SaskTel Pension Plan members receive their pension without penalties.
   - Members will receive a long service payment of two days per year of seniority service, up to March 19, 2005, and a present value lump sum bridge allowance discounted at the current five year GIC rates (equivalent to $410 per month to age 65). The service recognition program was curtailed effective March 19, 2005.

GOVERNANCE

The Board retained Hewitt Associates to update the governance policies and procedures manual during 2007. Governance activities completed by the Board during 2007 included:

- Updates to the Strategic Plan and Risk Assessment review
- Review of the Statement of Investment Policy and Goals (SIP&G) document in November 2007
- Approval of the updated Governance Manual in November 2007

ACTUARIAL VALUATIONS

GENERAL

The Pension Benefits Regulations, 1993 require actuarial valuations be filed at least every three years. The results from the latest valuation as at December 31, 2006 are included. Valuations are filed with the Saskatchewan Financial Services Commission – Pensions Division and with Canada Revenue Agency.

ASSUMPTIONS FOR FUNDING PURPOSES

The actuarial assumptions used for funding purposes, are a set of assumptions which reflects the Board's judgment of the most likely set of conditions affecting future events. Following are the significant actuarial assumptions used in the December 31, 2006 valuation to determine the actuarial value of pension benefits. The actuarial assumptions used for the December 31, 2003 valuation are shown for comparison purposes:

Significant Assumption	Valuation as at Dec. 31, 2006	Valuation as at Dec. 31, 2003
Gross Rate of Return on Assets	6.50%*	7.00%*
Provision for Future Expenses	0.25%	0.25%
Discount Rate for Liabilities	6.50%	7.00%
Inflation	2.50%	3.00%
Salary Escalation	3.50%	0.00% - applied to 2003 salaries 1.25%- applied to 2004 & 2005 salaries 3.50% thereafter
Future Indexing	2.00%	2.00%

Mortality rates were applied utilizing the Uninsured Pensioner 1994 Mortality Table with mortality improvements projected to the year 2015 (2003 Valuation used the same table projected to the year 2010).

*Net of a margin for funding purposes, representing conservatism from market best estimate.

ACCOUNTING, FUNDING AND SOLVENCY EXTRAPOLATIONS

The **Accrued Projected Benefit Method** Prorated on Services is used for financial reporting purposes and provides a valuation based on benefits earned to the date of the financial statements only.

The **Ongoing Funding Method**, although not acceptable for financial reporting purposes, provides a valuation that considers benefits earned to-date as well as future benefits to be earned and contributions to be made. It is the method used by the actuary to measure the ability of the Plan to meet current and future obligations to Plan members.

The **Solvency Method** determines the solvency position of the plan if it were wound up on the valuation date.

Following is a comparative analysis of the Plan surplus (deficit) under the three methods:

Method (Thousands of dollars)	2007 (Extrapolated)	2006 (Actuarial Valuation)
Accrued Projected Benefit Method	$29,136	($41,790)
Ongoing Funding Method	$86,335	$64,124
Solvency Method	($80,095)	($108,011)

FUNDING

The Pension Benefits Regulations, 1993 require Ongoing Funding deficiencies be eliminated in 15 years and Solvency deficiencies be eliminated in five years. The Corporation has the ultimate responsibility to ensure that the pension benefits are paid. Following is a summary of the annual contributions required.

	(Thousands of dollars)	
	2007	**2006**
Employee Contributions	$1,186	$1,647
Employer Current Service Cost	4,013	5,273
Amortization of Unfunded Liability	$0	9,180
Amortization of Solvency Deficiency	36,292	20,951
Employer Contributions	$40,305	$35,404
Total Contributions	$41,491	$37,051

INVESTMENT GOVERNANCE

OBJECTIVE OF THE PLAN

The purpose of the Saskatchewan Telecommunications Pension Plan (the “Plan) is to meet the present and future obligations accumulated on behalf of the Plan’s participants.

INVESTMENT POLICY

The Statement of Investment Goals and Policies (SIP&G) is updated and approved by the SaskTel Pension Plan Board annually. The policy 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.

Plan Assets (Fund) should be prudently managed to assist in avoiding actuarial deficits and excessive volatility in annual rates of return. An assessment of the risk tolerance of the Plan considers the cash demands and the closed nature of the Plan, along with the financial position. The Plan maturity is above average in that retired lives dominate the membership, and liquidity needs are increasing. The need for continued growth is also a consideration, given the 2% guaranteed indexing for retirees and the impact of inflation on the future pension liabilities of the active members. Based on these factors, the Fund can assume a modest level of investment risk, defined as the volatility of returns in any year, to achieve the income and growth objectives. This assessment implies a long-term asset mix strategy that has a significant position in fixed income and as well as equity exposure for diversification and growth.

RISK PHILOSOPHY

While prudent management seeks to avoid excessive volatility, it is recognized that a low risk investment policy will earn a low rate of return. The impact may be that the Plan’s liabilities grow faster than the assets. Therefore, in order to achieve the long-term investment goals, the Fund must invest in assets that have uncertain returns, such as Canadian equities, foreign equities and non-government bonds. However, the Board attempts to reduce the overall level of risk by diversifying the asset classes and further diversifying within each individual asset class.

RISK MANAGEMENT

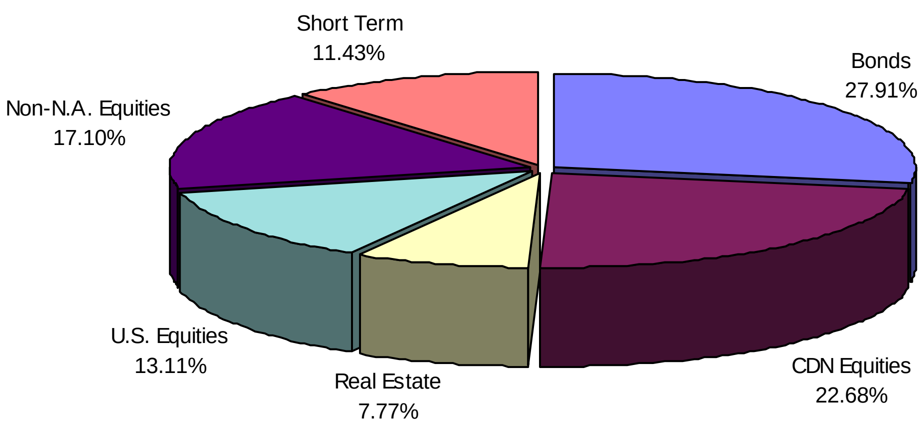
The Board is responsible for identifying business risks that could adversely affect the operation of the plan and the provision of the benefits promised by the plan. Through the annual strategic planning and risk assessment process, the Board will review risk management strategies and ensure the appropriate systems are in place and steps are taken to manage risks.

ASSET MIX

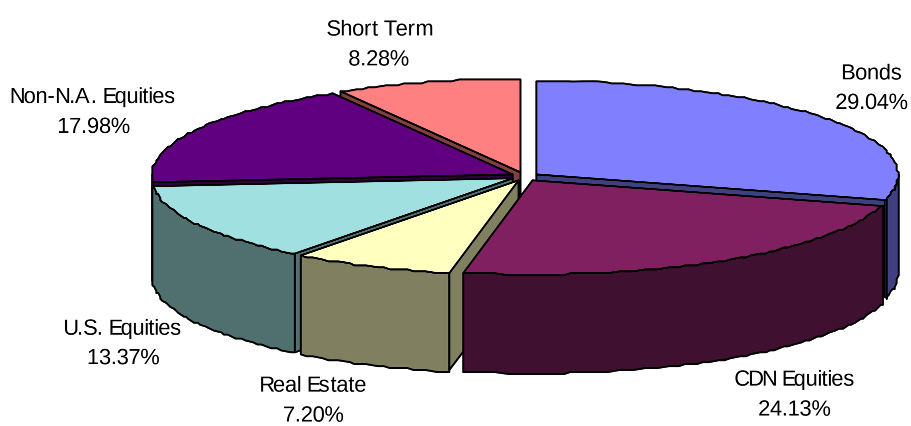
Taking into consideration the investment and risk philosophy of the Fund, the following range and target asset mix has been established:

	Range	Target
Equities (Includes Real Estate)	43 – 74%	61%
Fixed Income	30 – 50%	39%

December 31, 2007



December 31, 2006



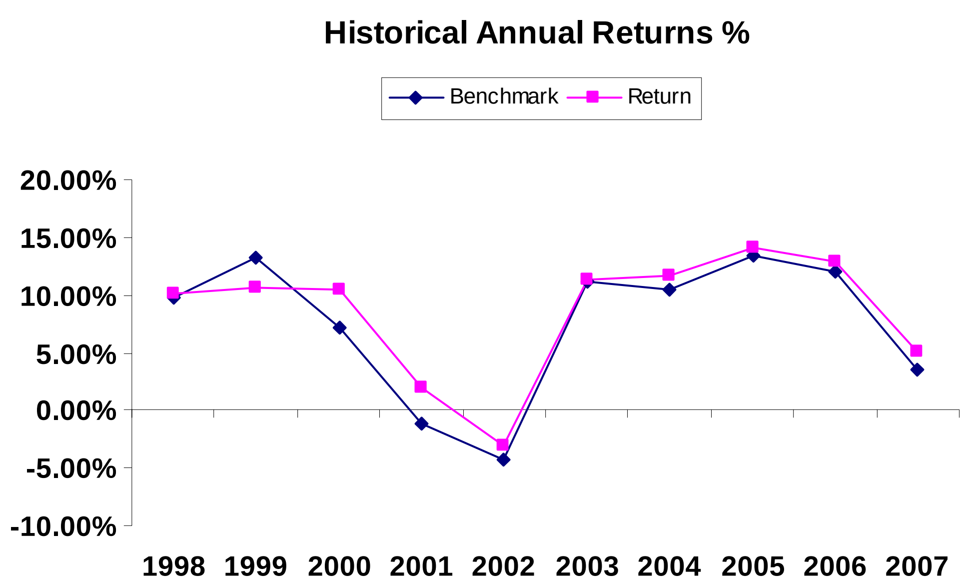
INVESTMENT PERFORMANCE

Investment return of 5.0% in 2007 was less than the expected return of 6.5% and less than the 2006 return of 12.9%. This is the first year since 2002 that returns have not met the expected rate of return.

Canadian and Emerging Markets equities provided strong returns in 2007, which were offset by muted bond returns and negative foreign equity returns. Foreign equity losses were due to the rising Canadian dollar resulting in a 16% currency loss in U.S. equities and 9.2% loss in EAFE equities. While the Fund return has been negatively impacted by the currency moves, one-half of the U.S. currency exposure is hedged, which was beneficial in the year. Active management offset some of the negative market movements and provided 1.5% of the 5.0% annual return.

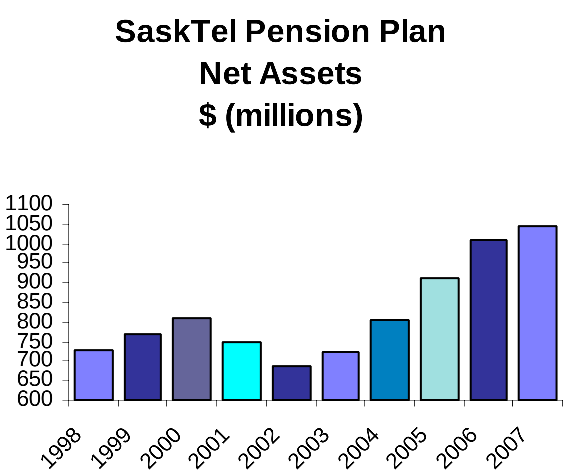
For the four years ending December 31, 2007, the Fund had an annualized gross rate of return of 10.9%. The investment benchmark for this four-year period was 10.1%.

Return on Investments %	2007	2006
Annual Return	5.0	12.9
Annual Benchmark	3.5	12.1
Four year annualized return	10.9	12.5
Four year benchmark	10.1	12.0



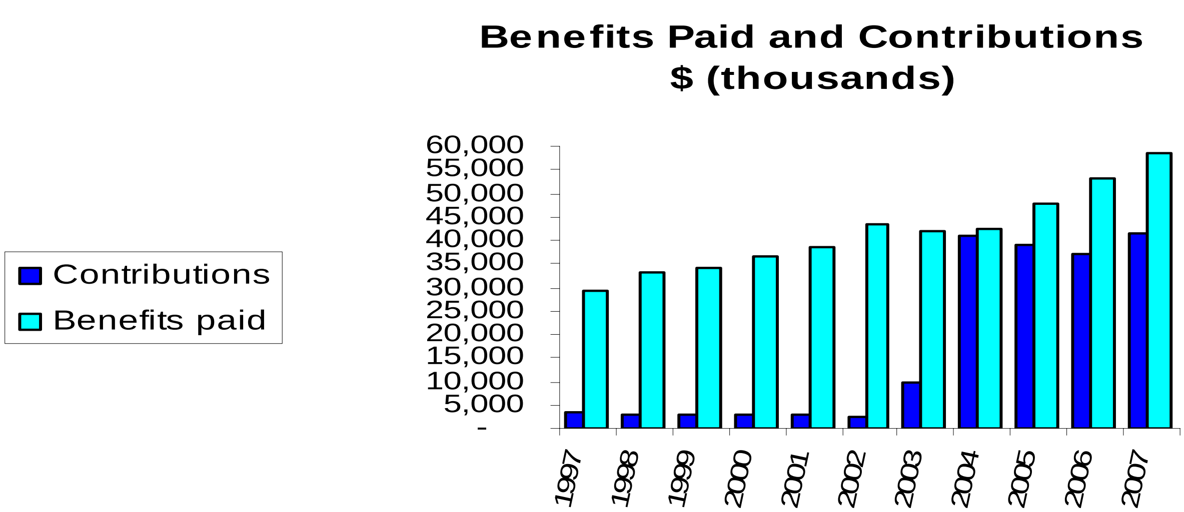
FINANCIAL HIGHLIGHTS

Net assets available for benefits increased by 3.5% in 2007



Net Assets Available for Benefits		
$ (thousands)	2007	2006
Net assets available for benefits - opening balance	$1,007,343	$908,687
Plus: Investment Income	65,151	45,369
Contributions	41,491	37,051
Less: Benefits	58,529	53,119
Expenses	3,692	3,223
Unrealized gains (losses)	(7,419)	72,578
Net assets available for benefits at year end	$1,044,345	$1,007,343

Contributions increased from $37.1 million in 2006 to $41.5 million in 2007. SaskTel contributed $40.3 million in 2007 ($35.4 in 2006). Increased company contributions are a result of the additional solvency payments recommended from the 2006 valuation. Employee contributions decreased from $1.6M in 2006 to $1.2M in 2007 due to the ERP as there are fewer employees contributing to the Plan.



MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements of the Saskatchewan Telecommunications Pension Plan and all information in the annual report are the responsibility of the Plan management and have been approved by the Pension Board. The financial statements necessarily include some amounts that are based on management's best estimates, which have been made using careful judgment.

The financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. Financial and operating data elsewhere in the annual report are consistent with the information contained in the financial statements.

In fulfilling their responsibilities, management of the Fund has developed and continues to maintain systems of internal accounting controls including written policies and procedures and segregation of duties and responsibilities.

Although no cost effective system of internal controls will prevent or detect all errors and irregularities, these systems are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, transactions are properly recorded and the financial records are reliable for preparing the financial statements.

The Pension Board meets with management and with the internal and external auditors to discuss the results of audit examinations with respect to the adequacy of internal accounting controls and to review and discuss the financial statements and financial reporting matters.

The financial statements have been audited by KPMG LLP, Chartered Accountants, who have full access to the Board, with and without the presence of management. Their report follows.

Mike Anderson
Chief Financial Officer

Wendell Anderson
Director – Finance (Operations)
Administrator, SaskTel Pension Board

March 25, 2008

ACTUARY'S OPINION

Aon Consulting was retained by the Saskatchewan Telecommunications Pension Board (the "Board") to perform an actuarial valuation of the assets and liabilities of the Saskatchewan Telecommunications Pension Plan (the "Plan") as at December 31, 2006. The Board retained Aon Consulting to prepare an extrapolation of the Plan's liabilities from December 31, 2006 to December 31, 2007. This extrapolation was used to prepare the actuarial information for inclusion in the Annual Report for the year ended December 31, 2007.

The extrapolation of the Plan's liabilities to December 31, 2007 was based on:

- The actuarial valuation (based on membership data provided by the Board) as at December 31, 2006;
- Methods prescribed by the Canadian Institute of Chartered Accountants for pension plan financial statements; and
- Assumptions about future events (economic and demographic) which were developed by management and Aon Consulting and are considered as management's best estimate of these events.

While the actuarial assumptions used to determine liabilities for the Plan's financial statements contained in the Annual Report represent management's best estimate of future events, and while in my opinion these assumptions are reasonable, the Plan's future experience will differ from the actuarial assumptions. Emerging experience differing from the assumptions will result in gains or losses that will be revealed in future valuations, and will affect the financial position of the Plan.

The data has been tested for reasonableness and consistency with prior valuations and in my opinion the data is sufficient and reliable for the purposes of the valuation and extrapolation. It is also my opinion that the methods employed in the valuation and extrapolation and the assumptions used are, in aggregate, appropriate. My opinions have been given, and the valuation and extrapolation has been performed in accordance with accepted actuarial practice.

David Larsen

David R. Larsen
Fellow, Canadian Institute of Actuaries
Fellow, Society of Actuaries

February 25, 2008

KPMG LLP
Chartered Accountants
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AUDITORS' REPORT

To the Members of the Legislative Assembly, Province of Saskatchewan

We have audited the statement of net assets available for benefits, accrued pension benefits and surplus (deficit) of Saskatchewan Telecommunications Pension Plan as at December 31, 2007 and the statements of changes in net assets available for benefits and changes in accrued pension benefits for the year then ended. These financial statements are the responsibility of the Plan's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits, accrued pension benefits and surplus (deficit) of the Plan as at December 31, 2007 and the changes in the net assets available for benefits and changes in accrued pension benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Regina, Canada
March 25, 2008

SASKATCHEWAN TELECOMMUNICATIONS PENSION PLAN **STATEMENT 1**

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS, ACCRUED PENSION BENEFITS AND SURPLUS (DEFICIT) AS AT DECEMBER 31, 2007

	2007	2006
	(Thousands of dollars)	
ASSETS		
Cash	$ 98	$ 104
Accrued investment income	15,044	7,206
Contributions receivable		
Employee	40	61
Employer	134	191
Investments (Note 4)	1,030,236	1,000,913
	1,045,552	1,008,475
LIABILITIES		
Accounts payable	1,207	1,132
Net assets available for benefits (Statement 2)	1,044,345	1,007,343
Accrued pension benefits (Statement 3)	1,015,209	1,049,139
SURPLUS (DEFICIT)	$ 29,136	$ (41,796)

(See accompanying notes to the financial statements)

Approved by the Pension Board

Dale Hillmer – Chairperson

Dale Baron – Member

Mike Anderson – Member

Larry Bolster – Member

Brian Renas – Member

SASKATCHEWAN TELECOMMUNICATIONS PENSION PLAN **STATEMENT 2**

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2007

	2007	2006
	(Thousands of dollars)	
NET ASSETS AVAILABLE FOR BENEFITS AT BEGINNING OF YEAR	$1,007,343	$ 908,687
INCREASE IN ASSETS		
Investment income		
Bonds	13,385	13,362
Equities	43,125	25,393
Real estate	3,994	3,159
Short term	4,631	3,414
Other	16	41
	65,151	45,369
Increase in fair value of investments	-	72,578
Contributions		
Employers'	40,305	35,404
Employees' current and past service	1,186	1,647
	41,491	37,051
Total increase in assets	106,642	154,998
DECREASE IN ASSETS		
Benefits paid to pensioners and beneficiaries	58,529	53,119
Administration costs (Note 6)	2,732	2,300
Refunds and transfers		
Contributions	346	350
Interest	614	573
	960	923
Decrease in fair value of investments	7,419	-
Total decrease in assets	69,640	56,342
NET ASSETS AVAILABLE FOR BENEFITS AT END OF YEAR	$ 1,044,345	$ 1,007,343

(See accompanying notes to the financial statements)

SASKATCHEWAN TELECOMMUNICATIONS PENSION PLAN **STATEMENT 3**

STATEMENT OF CHANGES IN ACCRUED PENSION BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2007

	2007	2006
	(Thousands of dollars)	
ACCRUED PENSION BENEFITS AT BEGINNING OF YEAR	$ 1,049,139	$ 1,017,809
INCREASE IN ACCRUED PENSION BENEFITS		
Interest on accrued pension benefits	52,328	52,230
Benefits accrued	5,623	9,124
Special termination costs (Note 10)	31,884	43,399
Impact of assumption changes (Note 5)	-	6,292
	89,835	111,045
DECREASE IN ACCRUED PENSION BENEFITS		
Benefits paid	58,529	53,119
Impact of assumption changes (Note 5)	40,248	-
Curtailment gain (Note 10)	24,988	26,596
	123,765	79,715
ACCRUED PENSION BENEFITS AT END OF YEAR	$ 1,015,209	$ 1,049,139

(See accompanying notes to the financial statements)

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2007

Note 1: Description of the Plan

The following description of the Saskatchewan Telecommunications Pension Plan (the Plan) is a summary only. For more complete information, reference should be made to the Saskatchewan Telecommunications Pension Plan Text.

(a) General

The Plan is a defined benefit plan maintained by Saskatchewan Telecommunications (the Corporation) for those employees who were hired prior to October 1, 1977 and who did not elect to transfer to the Public Employees' Pension Plan by October 1, 1978. Effective January 1, 1999 the Plan is governed by the Pension Benefits Act, 1992 (the Act). Prior to January 1, 1999 the Plan was governed by the Saskatchewan Telecommunication Superannuation Act and the Superannuation (Supplementary Provisions) Act. The Plan is registered under The Income Tax Act and The Pensions Benefits Act, 1992, registration #0360891, and is administered by a five person Board appointed by the Corporation and Union.

(b) Investments

Investment managers identified in note 6 have been engaged to invest Plan assets based on guidelines approved by the Pension Board. The objective of these investment guidelines is to ensure that the Plan has sufficient assets to meet its future pension obligations and to generate sufficient cash flows to meet the required pension payments as they fall due. The investment guidelines are also designed to minimize interest rate risk and credit risk by ensuring that Plan assets are invested systematically in a diversified portfolio of Canadian and foreign equities and bonds, within the parameters prescribed under The Income Tax Act and The Pensions Benefits Act, 1992. Due to the long-term nature of the pension obligations and related cash flows, investment mix guidelines consider differences in the interest rate sensitivity of the Plan's assets and liabilities.

The Plan's permissible investments include Canadian equities (including rights, warrants, installment receipts and capital shares), U.S. and international equities, bonds of Canadian issuers, short term securities, mortgages, real estate and pooled funds. No other type of investment is permitted without the prior approval of the Board.

(c) Funding

The Plan is funded on the basis of actuarial valuations, which are performed at least every three years. The most recent actuarial valuation of the Plan was performed as at December 31, 2006.

Plan members are required to contribute to the Plan a percentage of their pensionable salary. They contribute 7%, 8% or 9% of salary depending on their age at the date of commencement of employment, less contributions to the Canadian Pension Plan.

The financial health of the Plan is guaranteed by the Corporation, which contributes the additional amounts necessary to properly fund payment of benefits to Plan members. Effective January 1, 2007 the Corporation is contributing to the Plan at a rate of 343% of employee contributions.

<u>Note 1</u>: Description of the Plan (continued)

(d) Benefits

The Corporation guarantees the payment of the pension benefits payable under the terms of the pension plan as amended from time to time, including:

i) Service Pensions

The SaskTel defined benefit pension plan provides a full pension at age 65, at age 60 with at least 20 years of service, or upon completion of 35 years of service. The pension is calculated to be 2% times the average of the highest three years of pensionable earnings times the number of years of service up to a maximum of 35 years of service. A reduced pension may be opted for if certain age and years of service criteria are met. At age 65 members' pensions are reduced due to integration with the Canada Pension Plan.

Plan members may also elect to receive a joint annuity whereby a reduced pension is payable during the life of the member and/or the life of the spouse or dependents. When the plan member dies the spouse is entitled to receive a pension equal to 100% of the reduced pension.

If a member retires before age 65, the member may elect a varied allowance, whereby, an additional allowance is received until age 65 at which time the allowance will be reduced.

ii) Health Pensions

The Plan provides for early retirement when a member is permanently incapable, as declared by the Board, of performing his/her regular job duties.

iii) Survivors' Pensions

If a plan member dies after retiring, the surviving spouse receives 60% of the member's pension. Dependants under 18 receive 10%, to a maximum of 25% for all dependants combined.

iv) Death Refunds

A death refund is payable to the estate or designated beneficiary of a pensioner, in an amount equal to the difference between the pensioner's accumulated contributions and interest less the total sum of all allowances paid.

(e) Refunds and Transfers

Upon ceasing employment with the Corporation, plan members may elect either to receive a refund of their contributions with earned interest less any withheld income tax or to transfer accumulated contributions and earned interest to a registered retirement savings plan or to a registered retirement pension plan as permitted by the Act. Legislation passed in 1993 allows Plan members, upon ceasing employment, to transfer their contributions with interest, together with a matching company portion to the Public Employees Pension Plan.

(f) Income Taxes

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

<u>Note 2</u>: Authority

The Plan is continued pursuant to the provisions of the Pension Benefits Act, 1992. Contributions and investment earnings are accumulated in the pension fund for the purpose of providing pensions to the contributing members of the Plan.

Employees transferred to ISM, DirectWest Corporation, and Crown Investments Corporation of Saskatchewan (CIC) continue to participate in the Plan as per the Plan Text.

<u>Note 3</u>: Significant Accounting Policies

The financial statements are prepared in accordance with Canadian generally accepted accounting principles. The following policies are considered to be significant:

(a) Basis of Accounting

These financial statements are prepared on the going concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity independent of the sponsor and plan members. They are prepared to assist Plan members and others in reviewing the activities of the Plan for the fiscal period but they do not portray the funding requirements of the Plan or the benefit security of individual Plan members.

(b) Investments

Investments are stated in the financial statements at fair value. Bonds, pooled funds, and equities are determined with reference to year-end prices from recognized securities dealers. Fair values for mortgages are computed using yield to maturity calculations. Real estate investments are valued based on independent appraisals. Short term investments are valued at cost, which approximates fair value. Transactions are recorded as of the trade date.

(c) Increase/Decrease in Fair Value of Investments

The change in fair value reflects the current year's realized and unrealized gains and losses on investments.

(d) Translation of Foreign Currencies

Transactions conducted in foreign currencies are translated into Canadian dollars using the exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in foreign currencies are adjusted to reflect exchange rates at year-end. Exchange gains and losses arising on the translation of monetary assets and liabilities are included in investment income.

Note 4: Investments

The Fund has the following investments:

	2007 ($000)	2006 ($000)
Bonds	$ 192,444	$ 196,957
Pooled bond fund	95,142	93,707
Canadian equities	220,629	227,110
Canadian pooled equity funds	13,018	14,419
US equities	71,277	72,350
Non-NA pooled equity funds	176,144	180,000
Real estate	80,071	72,011
US pooled equity fund	63,779	61,466
Short term investments	117,732	82,893
Total Investments	$ 1,030,236	$ 1,000,913

Bonds

The Plan's investment policy states that corporate bonds must meet a minimum quality standard of BBB as rated by a recognized credit rating service. BBB rated bonds cannot exceed 15% of the market value of the bond portfolio. As at December 31, 2007, the Fund held 3.3% (2006 - 0%) in BBB bonds.

	2007			2006		
	Fair Value ($000)	Weighted Average Yield (%) to Maturity at Market	Average Years to Maturity	Fair Value ($000)	Weighted Average Yield (%) to Maturity at Market	Average Years to Maturity
Government of Canada	$ 66,468	4.5	23	$ 85,951	4.32	23
Province of Saskatchewan	8,212	4.94	27	7,263	4.85	28
Other Provincial	86,078	4.98	22	72,541	5.06	25
Corporate	31,686	5.75	24	31,202	5.58	23
Total	$ 192,444	5.04	24	$ 196,957	4.95	25

Real Estate

Investments in real estate consist of Canadian commercial property.

Note 4: Investments (continued)

Equities

Individual holdings are limited, by Fund policy, to a maximum of 10% of the market value of each investment manager's portfolio. At December 31, 2007, 6.8% (2006 – 7.0%) was the largest individual holding.

Individual holdings are restricted, by Fund policy, to a maximum of 10% of the common stock in any Corporation. At December 31, 2007, 0.07% (2006 - 0.08%) was the largest individual holding.

Short Term Investments

Short term investments are comprised of treasury bills, notes and commercial paper with a market yield of 3.8% to 4.8% (2006 – 4.2% to 5.4%) and an average term to maturity of 83.5 (2006 – 94.7) days. The Plan's investment policy states that investments must meet a minimum investment standard of "R-1" as rated by the recognized credit rating service. Other than the Government of Canada, no single issuer represents more than 23.9% (2006 – 13.6%) of the fair value of the short-term investment portfolio.

Note 5: Accrued Pension Benefits

The present value of accrued pension benefits was determined using the accrued projected benefit method pro rated on services. An actuarial valuation was performed at December 31, 2006 by AON Consulting, a firm of consulting actuaries. An actuarial valuation is an assessment of the financial status of a pension plan. It consists of the valuation of assets held by the fund and the calculation of the actuarial present value of benefits to be paid under the terms of the plan.

Accrued pension benefits are sensitive to changes in the discount rate, the inflation rate, salary escalation and future indexing. Based upon advice obtained from its actuaries and pension consultant, the Pension Board applies best estimate assumptions on these and other future economic events. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and apply best estimate assumptions that affect the reported amount of assets and pension liabilities at the date of the financial statements. Actual results could differ from those estimates.

Following are the significant assumptions used to determine the actuarial present value of accrued pension benefits as at December 31:

Significant Assumption	**2007**	**2006**
Discount Rate	5.50%	5.15%
Inflation	2.50%	2.50%
Salary Escalation	3.00%	3.00%
Future Indexing	2.00%	2.00%

The following illustrates the effect on the Plan's accrued pension benefit of changing certain actuarial assumptions:

Long - Term Assumptions

	Discount Rate		Inflation		Salary Escalation		Future Indexing
	4.5%	6.5%	1.50%	3.50%	2.00%	4.00%	1.0%
(Thousands of dollars)							
Increase (decrease) in liability	$126,455	($105,271)	$48,605	($102,497)	($3,107)	$3,245	($62,221)

Note 5: Accrued Pension Benefits (continued)

The Plan Text guarantees future indexing at 100% of CPI to a maximum of 2%. Therefore the impact of future indexing at a rate higher than 2% is not applicable.

The mortality rate was applied utilizing the Uninsured Pensioner 1994 Table with mortality improvements projected to the year 2007.

The pension liability is long term in nature. There is no ready market for settling the pension obligation and the Plan has no intention of settling this obligation in the near term. Therefore, determination of the fair value of the pension liability is not practical.

Note 6: Administration Costs

The Pension Plan Text permits the Board to engage technical and professional advisers, specialists and consultants for the purposes of managing, investing and disposing of Plan assets, with the related costs to be paid by the Plan. Other direct out of pocket expenses including custodial, investment manager and consulting fees are paid by the Plan. The costs to administer the Plan (staff salaries, actuarial and auditor costs) are also borne by the Plan and are reflected in the accompanying financial statements. The Board has developed, with the assistance of its consultant, specific investment policies and guidelines that the investment managers must adhere to when making investment decisions.

RBC Global Services
As the custodian of the pension fund assets, RBC Global Services performed the processing and handling of investment transactions.

Hewitt Associates Inc.
The consultant to the Board provided analytical and financial advice.

The investment managers managed the investing and disposing of Plan assets. **Greystone Capital Management Inc.** has a balanced mandate. **Beutel Goodman & Company Ltd.** has a specialty Canadian equity mandate. **TD Asset Management (TDAM)** has a bond and US equities Index mandate. **Grantham, Mayo, Van Otterloo & Company (GMO)** has a specialty All Country ex U.S. Equity mandate.

Note 7: Investment Performance

The investment manager makes the day to day decisions of whether to buy or sell specific investments in order to achieve the long-term investment performance objectives set by the Board. It is these long-term investment performance objectives that are used to assess the performance of the investment manager.

The investment performance objectives are set by the Board. The Board reviews the investment performance of the Fund in terms of the performance of the benchmark portfolio over rolling 4-year periods. For the four years ending December 31, 2007, the Fund had an annualized gross rate of return of 10.9%. The investment benchmark for this four-year period was 10.1%.

The annual rate of return generated by the Fund in 2007 was 5.0%. This compares to the investment benchmark of 3.5% and the 2006 return of 12.9%.

<u>Note 8</u>: Related Party Transactions

All Government of Saskatchewan agencies such as departments, corporations, boards and commissions are related since all are controlled by the Government.

The Plan holds an investment in SaskPen Properties Ltd. of $1,658,183 (2006 - $5,479,520). Income and fair value adjustment totaled $467,050 (2006 - $324,250).

The Plan holds Province of Saskatchewan bonds with a total face value of $6,994,000 (2006 - $6,094,000) and a total fair value of $8,212,419 (2006 - $7,263,491). Income totaled $376,540 (2006 - $353,532).

Account balances resulting from the above transactions are included in the statement of net assets available for benefits and are settled on normal trade terms.

During the year the Plan paid $232,000 (2006 - $216,000) to the Corporation for administration fees.

<u>Note 9</u>: Financial Instruments

The Plan's assets are not invested directly in currency futures, financial futures or other derivatives, and no hedging activities are conducted directly by the Pension Plan. Such derivative instruments are used occasionally with the Emerging Market and Non-North American Funds, which are pooled equity funds, administered by an investment manager with no recourse to the Plan itself. The carrying amount of financial assets and liabilities, other than investments (Notes 3b and 4) and accrued pension benefits (Note 5) approximate fair value due to their immediate or short-term nature.

<u>Note 10</u>: Voluntary Early Retirement Program

Phase III of the voluntary Early Retirement Program was approved in 2007 and covers the period January 1, 2008 to December 31, 2009. One hundred and three members met the eligibility requirements. To date 53 of 68 members have accepted in Phase III for a take rate of 77.9%.

The cost of this voluntary Early Retirement Program for the members who have accepted in 2007 is estimated at $31,884,084 (2006 – $43,399,326) and has been reflected as an increase to accrued pension benefits. In addition, this voluntary Early Retirement Program created a curtailment to the Plan. The 2007 curtailment gain of $24,987,614 (2006 – $26,596,139) results in a decrease to accrued pension benefits.

SASKATCHEWAN TELECOMMUNICATIONS PENSION PLAN **SCHEDULE 1**

SCHEDULE OF ACCUMULATED NET ASSETS AVAILABLE FOR BENEFITS
FROM THE PERIOD MAY 1, 1928 TO DECEMBER 31, 2007

CUMULATIVE INCREASE IN ASSETS

		(Thousands of dollars)
Investment income		$ 826,327
Cumulative increase in fair value of investments		550,505
Contributions		
Employers'		297,245
Employees' - Active	$ 17,432	
- Retired, deferred	91,588	
- Resigned	15,445	
- Transferred	649	125,113
Early and enhanced retirement adjustments		19,450
Employer withdrawal		(34,200)
Employees' interest on back contributions		729
		1,785,170

CUMULATIVE DECREASE IN ASSETS

Benefits paid to pensioners and beneficiaries	709,223	
Refund of employees' contributions	12,235	
Interest on refunded employees' contributions	4,317	
Transfer of contributions	7,623	
Transfer of interest on contributions	7,281	
Supplementary retirement payments		
to employees not eligible for pension	93	
Death benefits (matching amount)	36	
Interest on employee's savings plan	17	740,825

NET ASSETS AVAILABLE FOR BENEFITS AT DECEMBER 31, 2007	$ 1,044,345