

# SASKTEL PENSION PLAN NEWS

## Pension Board Trustees

**Dale Hillmer - Chairman**

**Mike Anderson**

**Larry Bolster**

**Dale Baron**

**Brian Renas**

## SASKTEL PENSION PLAN CONTACTS (for retired members)

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### The 2008 Annual Pension Increase is

**2%** based on the increase in the average Consumer Price Index (CPI) for **Canada** which was 2.37% from December 2007 to December 2008.

The increase was applied in April 2009.

**Important Note:** Beginning this year, the individual indexing letters will no longer be mailed to every retiree as was done each April in the past. The increase percentage will be communicated in the annual Newsletter. Please refer to your April remuneration statement for specific details of your increase in pay.

### 2009/2010 Pension Payment Schedule

Thursday	April 30
Friday	May 29
Tuesday	June 30
Friday	July 31
Monday	August 31
Wednesday	September 30
Friday	October 30
Monday	November 30
Wednesday	December 23
Friday	January 29
Friday	February 26
Wednesday	March 31

## Pension Income Splitting Reminder

### How does it work?

Both the individual receiving the eligible pension income and his or her spouse or common-law partner must agree to the allocation in their tax returns for the year in question.

The pension income splitting allocation will be available for the 2007 and subsequent tax years and must be made one year at a time.

### How much income can an individual split?

An individual in receipt of eligible pension income will be permitted to allocate up to one-half of this pension income to their spouse or common-law partner.

For more information on eligible pension income and other details regarding Pension Income Splitting, visit the CRA website at: <http://www.cra-arc.gc.ca/tx/ndvdl/tpcs/pnsn-splt/menu-eng.html>

## Annual Report Highlights

As of 2007 The Annual Report is no longer being mailed to every retiree, instead the highlights of the Annual Report are communicated in the Annual Newsletter which is issued in Spring of

each year (after tabling the Annual Report in the Legislature in late April).

To view the complete Annual Report, visit the SaskTel website at [www.sasktel.com/about-us/company-information/financial-reports/](http://www.sasktel.com/about-us/company-information/financial-reports/index.html)

[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.



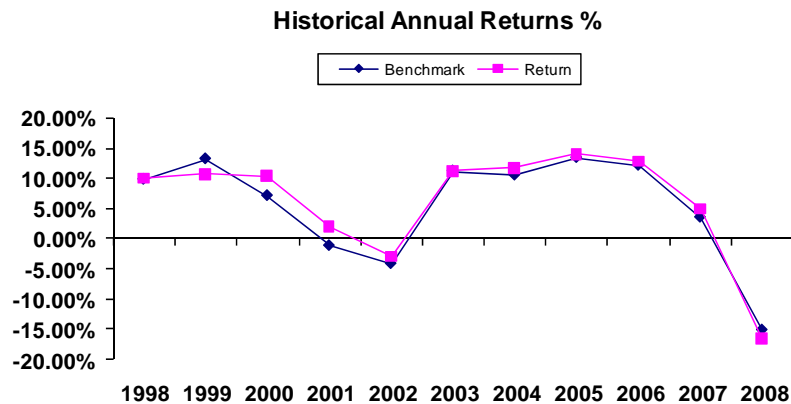
## Investment Returns

The SaskTel Pension Fund yielded a **-15.2%** return for the 12 months ended **December 31, 2008** which exceeded the benchmark of **-16.7%**. Equity market weakness was global. The plan was impacted by this global

financial situation, however active management helped buffer some of these global market weaknesses and allowed the return to exceed the benchmark by 1.5%. For the 4 years ended December 31, 2008, the Fund had

an annualized gross rate of return of 3.5% compared to the benchmark of 2.6%.

In 2008, there were no changes in the Investment Managers for the Pension Plan.



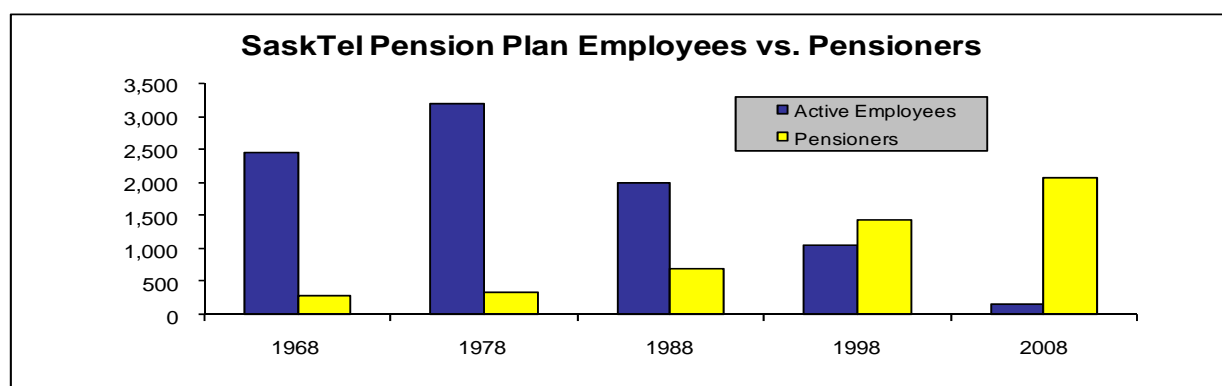
### PRESENT RETIREES AT THE END OF THE 81ST YEAR PERIOD

			As At	As At
			Dec. 31, 2008	Dec. 31, 2007
Retirees 65 & Over	Males	Average Age 73.67	537	515
	Females	75.23	284	284
Retirees Under 65	Males	57.38	670	651
	Females	56.35	330	309
Dependants	Spouses	74.61	239	230
	Children		0	1
Split Pensions	Males	0	0	0
	Females	64.19	14	14
			<b>2,074</b>	<b>2,004</b>

### NUMBER OF EMPLOYEES UNDER THE PROVISIONS OF THE SASKATCHEWAN TELECOMMUNICATIONS PENSION PLAN AT DECEMBER 31, 2008

	<u>Male</u>	<u>Female</u>	<u>Total</u>
DirectWest Employees	-	7	7
ISM Employee	-	1	1
CIC Employee	-	-	-
CEP Employee	-	-	-
SaskTel Employees	<u>115</u>	<u>32</u>	<u>147</u>
<b>Total</b>	<b><u>115</u></b>	<b><u>40</u></b>	<b><u>155</u></b>

Plan Membership as at December 31, 2008	
Employee Members	155
Retired Members	<u>2,074</u>
Total Members	2,229



## Financial Highlights

Investment return of -15.2% in 2008 was below the expected return of 6.5% due to the global market weaknesses.

Shrinking liquidity contributed to depressed housing prices in many markets, reduced consumer spending, and restricted business expendi-

tures.

The continuing decline in commodity prices pulled the Canadian dollar down. Investors gravitated to the safety of bonds, driving yields down and providing price gains.

For the four years ending December 31, 2008, the Fund had an annualized gross

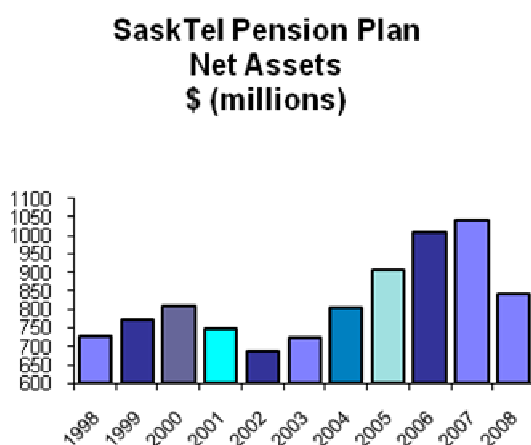
rate of return of 3.5%. The investment benchmark for this four-year period was 2.6%.

Over four years the total fund result was positive, led by bonds and double digit real estate returns.

**Net assets available for benefits decreased by 19.2% in 2008**



## Net Assets Available for Benefits



	2008	2007
<b>\$ (thousands)</b>		
Net assets available for benefits - opening balance	\$1,044,345	\$1,007,343
Plus: Investment Income	58,818	65,151
Contributions	30,382	41,491
Less: Benefits	63,273	58,529
Expenses	2,627	3,692
Unrealized gains (losses)	(223,374)	(7,419)
Net assets available for benefits at year end	\$844,271	\$1,044,345

## Market Update from Greystone (Investment Manager for the Plan)

The barrage of bad news and faltering economic indicators persisted during 2009's opening months. Unemployment is up and US home foreclosures & bankruptcies are still on the rise. The automobile industry and financial institutions are seeking public bailouts and governments around the globe continue to unveil economic stimulus packages. Not surprisingly, financial markets struggle amidst the negativity.

While the recession has many complex causes, at its heart is a 20 year credit binge in the US. Many of the mortgage and other loans were irresponsibly underwritten and unsupportable. Ultimately, the problem became so severe that the inevitable loan defaults imperiled the global banking system and brought new-loan activity to an almost complete standstill. This choked off vital credit for consumers and businesses alike, with tremendously negative economic consequences.

The solution begins with a wholesale reduction in toxic and unproductive debt. This is fundamental to restoring confidence in the banking system, unfreezing credit markets and stabilizing the broader world economy.

Only after purging can the economic system find its feet and the productive entities again begin to create wealth.

We cannot simply return to what was. Indeed this is an historic moment, comparable to the resetting that followed WWI, the Great Depression, WWII, and the Korean War.

The challenge is how this massive debt reduction will unfold. Plainly stated, some corporations are simply too important to fail. For example if Citygroup, Bank of America, AIG Financials, or GM, Chrysler went broke the resulting damage and the impact on public confidence could plunge the US economy into depression. Therefore, policy makers need to find ways to manage a process that rebuilds balance sheets even as it bolsters public confidence.

As complex and delicate as this process will be, we believe it will ultimately succeed. Unfortunately, we are now in the eye of the storm, so it is extremely difficult to judge how and when sustainable positives will emerge.

After a short rally that lasted through the year end

2008, stock markets resumed their decline in the first quarter of 2009. Several indexes broke below the lows set last November. This reflected the bad economic news and the impact on investor expectations. The corporate bond market remains largely illiquid.

So how do we explain the very positive four day rally in the world's stock markets in mid-March? While it's unlikely that this marks the end of the bear market, it illustrates an important point. At the moment, market expectations are very depressed, as share prices indicate.

Market prices are based on worst-case assumptions about companies' futures.

In extremely depressed markets, unanticipated positive news can cause an abrupt change in investor expectations and a sharp rally in stock prices. Therefore, even when markets have perhaps not yet touched bottom, major opportunities can be lost by being overly risk-averse.

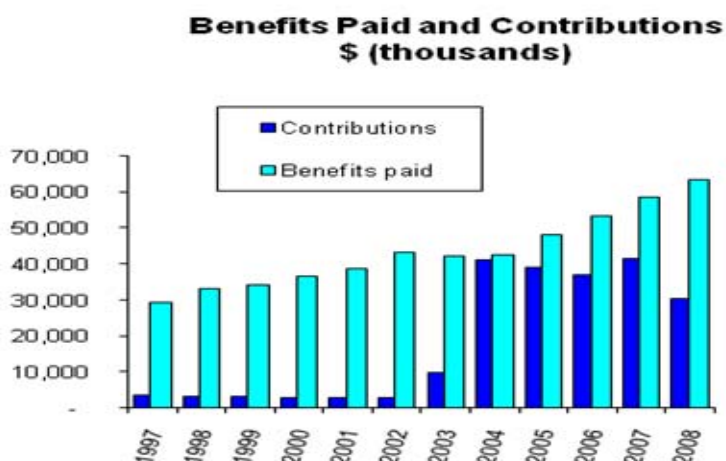
In this difficult market environment, Greystone remains focused on its clients' best interests.

## Benefits Paid & Contributions

Contributions decreased from \$41.5 million in 2007 to **\$30.4 million in 2008**. SaskTel contributed \$29.6 million in 2008 (\$40.3 in 2007). Decreased com-

pany contributions are a result of the reduced solvency payments as a result of a 2007 valuation. Employee contributions decreased from \$1.2M in

2007 to \$0.7M in 2008 due to a reduction of contributing members as a result of the ERP.



## 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.

Following are explanations describing the various types of valuations. 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>2008 Extrapolated</u>	<u>2007 Valuation</u>	<u>2006 Valuation</u>
Funding	\$(112M)	\$95M	\$64M
Solvency	\$(218M)	\$(59M)	\$(108M)
Accounting	\$18M	\$21M	\$(42M)





## SaskTel Pension Board Governance Message

As a result of the current downturn in the markets, SaskTel Board would like to give a governance update to provide members assurance that the Plan's risks are being managed.

### Hiring Expertise

SaskTel Pension Board is responsible for the governance of the Pension Plan. The Board has an Investment Consultant, four Investment Managers with unique management styles, an Actuary and Custodian to assist the Board in managing the investment of the Plan Assets.

### Governance Process

SaskTel Pension Plan Board has developed a 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, 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). Some of the most important aspects of the plan's current SIP&G can be summarized as follows:

- The SIP&G specifies the long term investment strategy and any short term investment tactics to which the plan's investment managers must comply.
- One investment strategy contained in the SIP&G is the diversification of assets across various asset categories (equities, fixed income securities, real estate, etc.) and within various asset categories (such as maximum exposures to certain investments and maximum concentrations within certain investments).
- The SIP&G includes the use of investment managers that have a mandate to outperform the market indexes in bull markets while preserving capital in bear markets.
- In stable markets, the SIP&G includes quarterly and annual updates to the Pension Board. These updates are prepared by the Plan's investment consultant. These updates include a review of each investment manager and how they have performed in relation to various market indices associated with the asset class, over the most recent quarter and at each year end.
- Due to the significant fluctuations in the investment markets of late, the SIP&G has been enhanced on a temporary basis to include monthly monitoring of changes in asset values. These monthly reports will be provided to the Pension Board until the market stabilizes.
- The SIP&G also mandates that the investment policy will be formally reviewed on an annual basis. Such a review was completed this year.

The Board will continue to monitor the Plan to manage risk.

## SaskTel Management Update – SaskTel Pension Plan

We have received inquiries from SaskTel Pension Plan members on the current decline on their benefits now and in the future. SaskTel would like to reassure members by providing the following information:

### **We are Monitoring the current situation**

- Throughout the 4th quarter of 2008 and the 1st quarter of 2009, stock markets around the world have dropped significantly. To date it is uncertain as to when the global crisis will reach a turning point. SaskTel Pension Plan assets were not immune to this decline in the stock markets around the world. The Net Assets Available for Benefits fell by \$200M as a result of the changes in market value of assets.
- An actuarial valuation completed at the end of 2007 showed that SaskTel Pension Plan was healthy going into this period of market volatility. SaskTel is monitoring the funded position of the pension plan between valuations to determine if additional funding may be required.

### **SaskTel has funded the Plan**

- The Defined Benefit pension plan is funded by member's contributions, SaskTel's contributions (including solvency deficit payments) and by income earned on the pension plan assets. Member's contributions are fixed while SaskTel's contributions vary based on actuarial valuations. SaskTel's commitment to the plan is evidenced by the significant level of contributions that have been made over the life of the plan.

### **We will continue to fund the Plan**

- SaskTel is committed to fund its plan obligation as per the Saskatchewan Pension and Benefits Act (1992). However, SaskTel will continue to monitor the Plan and fund in addition to our legal requirements if deemed necessary.

### **We will provide assurance that the Plan and Member Benefits will be maintained**

- Short term changes to the Pension Plan assets due to market changes do not impact the Pension Plan members. The current Pension Plan Text determines the benefits provided to members of the Plan. The Plan Text complies with the Pension Benefits Act, 1992 and is negotiated with the CEP.
- SaskTel is committed to compliance with the Plan Text and will fund the Plan as required to ensure that current and retired members' benefits are maintained.