SaskTel Pension Plan News

June 2017

Inside this issue:

Message from the Chair

The past year has been another busy one for the SaskTel Pension Plan and I want to update you on some of our activities.

Our investment portfolio had a return of 7.8% for the fifteen months ended March 31, 2017 and is valued slightly more than $1 billion. While this is welcome news, we remain focused on the financial health of the plan in the future. To this end, the Board reviews the experience of the past in conjunction with a forward-looking actuarial analysis to ensure the Plan remains on good footing.

On the governance side, as we do every year an external governance specialist reviewed the plan's activities and governance structure to ensure we are operating effectively and that risks to the plan have been properly mitigated.

I hope you find this newsletter informative and that it finds you in good health.

Dale Hillmer
SaskTel Pension Plan Chair

Pension Board Trustees

Dale Hillmer
Chair

Andrew Malinowski
Unifor Representative

Charlene Gavel
SaskTel Representative

Brian Renas
Unifor Representative

Scott Smith
SaskTel Representative

New Faces

Charlene Gavel was appointed to the SaskTel Pension Plan Board in June 2016.

Charlene is the Chief Financial Officer for SaskTel, responsible for the corporation's financial activities and provides leadership in the development of financial strategies. She is also responsible for Corporate Security.

Charlene has held a variety of positions throughout her career. Most recently she has held the position of Vice President and Chief Financial Officer at SaskTel International. Prior to this Charlene held positions with the Regina Qu'Appelle Health Region as Chief Financial Officer and Vice President of Financial Services; Information Services Corporation (ISC) as Chief Financial Officer and Vice President of Finance and Administration. Charlene currently serves on the boards of SaskTel International, SecurTek, DirectWest and the Regina Downtown Business Improvement District Board.

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Annual Pension Increase

The annual pension increase is 1.43% based on the increase in the average consumer price index for Canada from December 2015 to December 2016, which was 1.43%. The increase was effective April 1, 2017.

PST on Life Insurance

Effective August 1st, 2017, PST will be applied to life insurance premiums. You will see an additional deduction beginning with your August 31st, 2017 pay. Watch for more information from the Public Employees Benefit Agency regarding this change.

2017/18 Pension Payment Schedule

Pension payments are deposited directly to your account on the last business day of the month except for December.

Fri	June 30
Mon	July 31
Thu	August 31
Fri	September 29
Tue	October 31
Thu	November 30
Fri	December 22
Wed	January 31
Wed	February 28
Thu	March 29
Mon	April 30
Thu	May 31
Fri	June 29

Website Changes

We have remodeled the pension plan's website, providing more information than ever before. Check it out at **www.sasktel.com/pensionplan**.

New Email Address

We have a new email address to make it easier to contact us, sasktel.pensionplan@sasktel.com. Please use this email to ensure that your message is received and addressed in a timely manner.

Power of Attorney

We require a copy of a power of attorney on file before we can communicate with anyone other than the plan member regarding their pension details. If you have given someone the power to manage your affairs, or a plan member has given you the power to manage their affairs, please ensure that you provide a copy of the legal document to us to avoid delays in responding to your inquiries.

Life Events

To ensure uninterrupted service , please notify us immediately of any changes in mailing address, banking details, marital status, or power of attorney.

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2016/17 Annual Report Highlights

Year at a glance

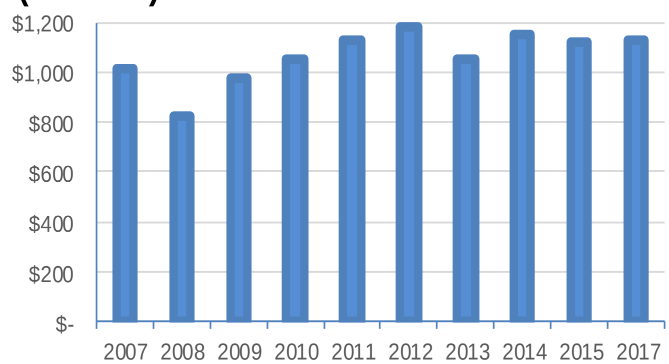
- **Going Concern status: 113.1%**
- **Solvency status: 85.1%**
- **Net assets: $1.0 billion**
- **Pension obligations: $1.1 billion**
- **Deficiency: $0.1 billion**
- **Accounting status: 91.1%**
- **Total membership: 1,993**

Summary of Financial Position

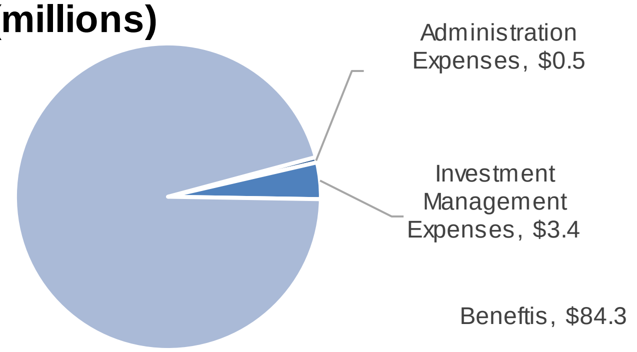
(As at March 31, 2017)

($ thousands)	**March 31, 2017**	Dec. 31, 2015
Net assets available for benefits	1,030,246	1,022,279
Pension obligation	1,131,244	1,126,512
Deficiency	100,998	104,233

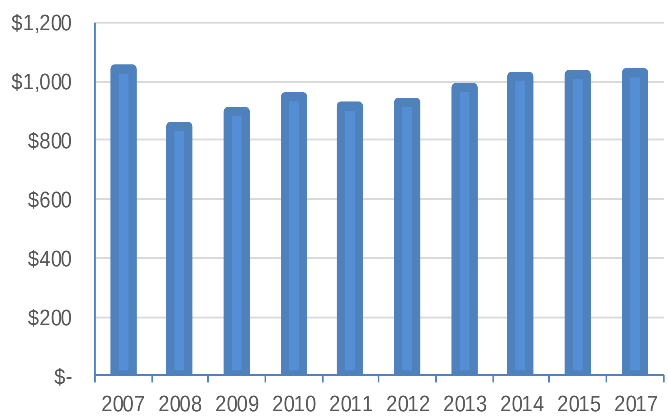
Plan Obligations (millions)



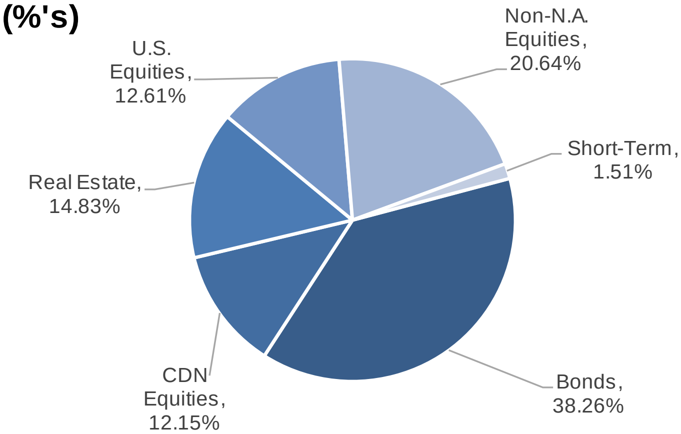
Plan Expenses (millions)



Plan Assets (millions)



Plan Asset Mix (%'s)



Investment Performance

The Canadian equity market, as measured by the S&P/TSX Composite Index, was one of the strongest performing developed markets globally over the past 15 months, rising by 18.8%. The Energy and Materials sectors, which were among the bottom performing sectors in 2015, rebounded soundly in 2016 on the back of a sharp rise in commodity prices. In year-to-date 2017, the Materials sector continued to perform well on rebounding metals prices, however, Energy has lagged; both remain top performers over the past 15 month period. The Financials sector, which accounts for one third of the entire S&P/TSX Composite Index was also a strong performer, especially in the latter half of the 2016 and year-to-date 2017 (along with the global financial sector), driven by a rising yield environment, which was catalyzed by the results of the U.S. presidential election.

In 2016 U.S. equities, as measured by the S&P 500 Index, saw a positive 12.0% annual return in local currency, however, decreased to 8.1% for Canadian investors, as the Canadian dollar appreciated versus the U.S. dollar in the year. As in Canadian equities, commodity price related industries and sectors performed well, led by the Energy sector. The U.S. Financials sector sharply outperformed in the fourth quarter, fueled by rising yields and expectations for financial de-regulation. For year-to-date 2017, U.S. equities continued to perform well, generating a 6.1% return in U.S. dollars, falling to 5.5% for Canadian investors, as the loonie continued to appreciate. Info Tech, Health Care, and the Consumer sectors experienced the best performance in the first quarter of 2017, while Energy and Financials, previous market leaders, lagged the broader index.

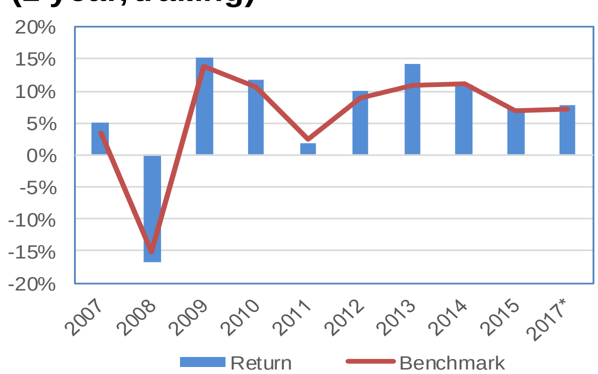
International equity market returns varied greatly, with the Brexit referendum in June/July impacting most markets. Overall, the MSCI EAFE Index returned 5.3% in local currency terms in 2016, however, fell to -2.5% for Canadian investors, as the loonie appreciated relative to the overall basket of international currencies, driven by strengthening oil prices. For year-to-date 2017, international markets fared well, up 6.7% in Canadian dollars. Positive performance has been broadly distributed, with the exception of the Energy sector. The MSCI Emerging Markets Index was up 9.7% in local currency, and 7.3% in Canadian dollars, outperforming international developed markets in 2016. The largest constituents had mixed results; Brazil and Russia sharply outperformed but China and India were negative in the year. For year-to-date 2017, emerging markets were the top performing market, up 10.8% in Canadian dollar terms.

Bond yields rose sharply in the second half of the year, following the US presidential election, driving sharp capital losses in fixed income securities. For the 2016 annual period, the FTSE/TMX Universe Bond Index returned a modest 1.7%. Federal bonds (0.0%) trailed both Corporate (3.7%) and Provincial bonds (1.8%), as yield spreads narrowed by considerable margins. The Plan's bond portfolio is customized to reflect the duration of the liabilities, which are relatively long term in nature, and returned 2.4% in the year vs. their 2.3% custom benchmark. In year-to-date 2017, bonds had modestly positive returns, with longer term bonds outperforming, as yields fell back slightly. The Plan's bond portfolio matched its benchmark over the period, at 3.1%.

The Total Fund return was 6.1% vs. the 5.5% benchmark return in 2016, with the 0.6% in value added more than offsetting the 0.24% in investment management fees paid annually. The Plan's active managers had mixed results, but overall added value. Asset mix was also positive, with the Plan's overweight in Canadian and U.S. equities, and underweight in fixed income adding value. For year-to-date 2017, the Total Fund added 0.2% to its benchmark (3.5% vs. 3.3% benchmark).

Medium and longer term performance has also been strong. The Total Fund outperformed its benchmark over both the four-year (9.5% vs. 8.8%) and ten-year (6.4% vs. 5.9%) periods. The Plan's real return objective of 3.5% was also met over both periods.

Annual Return (1 year, trailing)



- 2017 return is 15 month return as at March 31, 2017

Investment allocations are governed by the Statement of Investment Policies and Goals, a vital document in the management of plan assets.

Since it's inception in 1928, the SaskTel Pension Plan has earned over $1.1 billion in investment income on $127 million in employee contributions and $367 million in employer contributions. That's over $300,000 per retiree!

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Actuarial Report Summary

In 2014, the Board of Trustees filed an actuarial valuation for the Plan as of December 31, 2013 as required by *The Pension Benefits Regulations* 1993. The next valuation will be completed in 2017.

Going Concern

The valuation found that the Plan was in a surplus position using the going concern method of $9.5 million at the end of 2013, down from a $22 million surplus at the end of 2010, the previous valuation year.

Even though assets have performed better than expected in the previous 3 years, assumption changes regarding how long we are expected to live as well as the Board's decision to include a 10% "safety margin" against adverse outcomes combined to bring the surplus down.

Solvency

The solvency valuation at the end of 2013 was calculated to be a deficit of $155.7 million, an improvement from 2010's $161.6 million deficit.

The main reason for the improvement was better than expected asset returns.

2017 Update

The Board receives interim valuations on a regular basis in order to monitor the health of the plan.

As at March 31, 2017, the going concern valuation showed a surplus of $119 million, up from the $76 million at the end of 2015. The solvency valuation improved slightly to a $180 million deficit from a deficit of $235 million at the end of 2015.

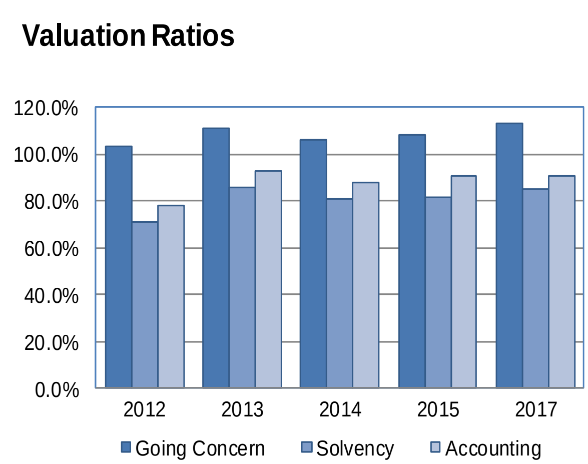
Significant Assumptions

- **Investment return: 6.35%**
- **Pension increases: 2%**

Summary of Valuation Measures

Surplus (Deficit) in millions

	2017 Estimate	2015 Estimate	2014 Estimate	2013 Valuation
Going Concern	$ 119	$ 76	$ 61	$ 10
Solvency	$ (180)	$ (235)	$ (237)	$ (156)
Accounting	$ (101)	$ (104)	$ (135)	$ (75)



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What is an actuarial valuation?

The Plan works with an independent actuary on an ongoing basis in order to monitor the financial health of the plan.

Performing a valuation is an exercise in predicting the future - we don't really know what is going to happen, but through the use of advanced computer modeling the actuary is able to take a set of assumptions on future events and produce an estimate of the Plan's status.

The assumptions we make about what lies ahead are based on what we know to be true today and what we have experienced in the past. Some of the larger assumptions we make include:

- Investment returns
- Inflation rates
- Interest rates
- How long we live

Some assumptions are used to calculate the value of assets (investment returns, interest rates) and some are used to calculate the cost of current and future pension obligations. The actuary compares the assets to the liabilities and determines whether the plan is properly funded. If not, contributions into the Plan would be required.

The three valuation figures

The actuary prepares three assessments of the Plan's financial well-being:

- Going concern (funding)
- Solvency
- Accounting

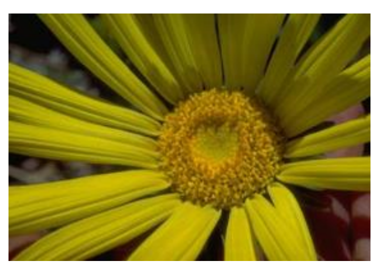
Each of the values looks at the Plan in a different way. The main valuation is the Going Concern method, also called the Funding valuation. This views the plan over a long time horizon. It is the method used by actuaries to measure the ability of the plan to meet current and future obligations to plan members. It is also the method used by the provincial regulator to determine whether SaskTel must contribute additional funding to the plan.

The Solvency method views the Plan as if it were to cease operations immediately and pay out lump sum payments to members. While this outcome is very remote, this method provides additional insight to the Trustees.

The final method is the Accounting method, which is based on the accounting rules used in the preparation of financial statements. It is this method that you see when reading the Annual Report for the plan.

"The actuarial valuation is the most important gauge we have to measure the financial health of the plan."

SaskTel has the ultimate responsibility to ensure that the pension obligations are paid. As the sponsor of the Plan, SaskTel remains committed to meeting all funding requirements necessary to fulfill pension obligations to plan members. SaskTel closely monitors the going concern funded position and will fund any shortfalls, should they occur, in accordance with provincial regulations.



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Pension Plan Fiscal Year End Change

The SaskTel Pension Plan Board has approved a change in the Plan's fiscal year end to March 31. The change resulted in a 15 month reporting period for January 1, 2016 to March 31, 2017. This will be followed by 12 month reporting periods ending March 31st annually.

This change will result in the following changes in the plan's reporting schedule:

- The Annual Report and Financial Statements will be released at the end of July every year, instead of the end of April currently;

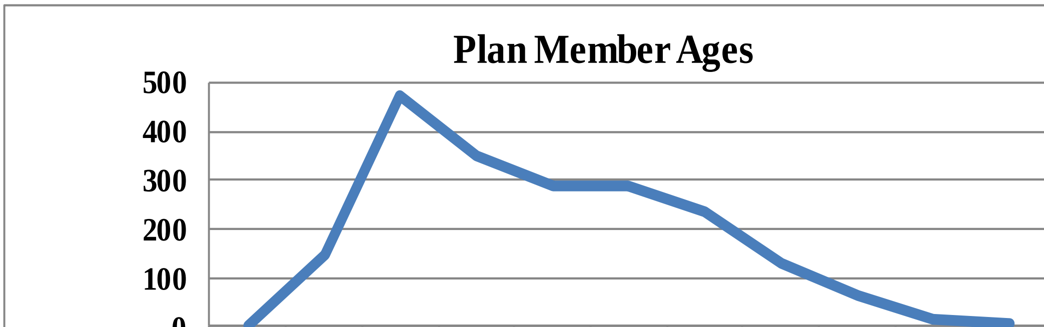
- The member newsletter will be mailed out at the end of July, instead of the end of April.

This change will not affect your pension. Pay dates will remain on the same schedule, and the pension indexing date remains April 1st as it currently is for any pension increases resulting from changes in the Consumer Price Index.

If you have any questions regarding this change, please contact us.

Plan Member Data

At March 31, 2017, the average age of all Plan members was 71.9 years.



	<55	55 - 59	60 - 64	65 - 69	70 - 74	75 - 79	80 - 84	85 - 89	90 - 94	95 - 99	100+
COUNT	1	147	475	350	286	288	234	131	62	14	5

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Established in 1928, the Saskatchewan Telecommunications Pension Plan is a contributory-defined benefit pension plan. It has been closed to new members since 1977.

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. It's administered by a 5-person Board appointed by the Corporation and Union.