



# SaskTel Pension Plan News

## Pension Board Trustees

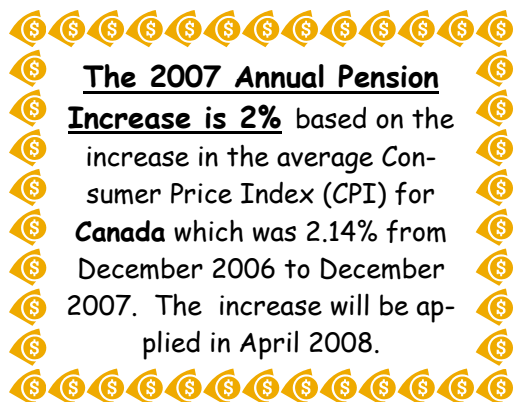
**Dale Hillmer - Chairman**

**Mike Anderson**

**Dale Baron**

**Larry Bolster**

**Brian Renas**


**The 2007 Annual Pension Increase is 2%** based on the increase in the average Consumer Price Index (CPI) for **Canada** which was 2.14% from December 2006 to December 2007. The increase will be applied in April 2008.

## SASKTEL PENSION PLAN CONTACTS (for retired members)

| <u>MAILING ADDRESS</u>  |               | <u>Phone</u>   | <u>E-Mail</u>               |
|-------------------------|---------------|----------------|-----------------------------|
| 6th Floor               | Aimee Wilkes  | (306) 777-4123 | aimee.wilkes@sasktel.sk.ca  |
| 2121 Saskatchewan Drive | Leeann Debert | (306) 777-2550 | leeann.debert@sasktel.sk.ca |
| Regina, Saskatchewan    | Marg Selinger | (306) 777-2555 | marg.selinger@sasktel.sk.ca |
| S4P 3Y2                 |               |                |                             |
| Fax (306) 522-6195      |               |                |                             |

## SASKTEL HUMAN RESOURCES CONTACTS (for current members)

| <u>MAILING ADDRESS</u>  |                 | <u>Phone</u>   | <u>E-Mail</u>                 |
|-------------------------|-----------------|----------------|-------------------------------|
| 13th Floor              | Roberta Materi  | (306) 777-5834 | roberta.materi@sasktel.sk.ca  |
| 2121 Saskatchewan Drive | Doris Hammett   | (306) 777-3080 | doris.hammett@sasktel.sk.ca   |
| Regina, Saskatchewan    | Shelley Holfeld | (306) 777-2195 | shelley.holfeld@sasktel.sk.ca |
| S4P 3Y2                 |                 |                |                               |

**Address/Banking Detail Changes:** Contact the **Pension Board** for all address changes and banking detail changes (see contact information listed above). Even though the return address on your remuneration statements says Cash Management—please do not send address changes back to that address. *It is especially important to ensure we have your current address before the T4A mailout in February of each year.*

2008 Pension  
Payment Schedule

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

Thank you to past member **Stacey Sandison** for her dedicated service to the Pension Board.

Thank you to past Pension Plan Manager **Alison McKay** for her service to the Pension Board over the past 2 years



## New Board Member

### Dale Baron -

SaskTel's Controller, joined the board in May 2007. Dale is responsible for aggressively promoting the financial and business success of SaskTel and its subsidiaries, and for ensuring that SaskTel's internal financial controls are effective.

He began his career at SaskTel in 1978 and has held a variety of positions within Finance. Dale is a Certified Management Accountant (CMA) and is a member of the Financial Executives International organization. In addition to serving as a member of the

SaskTel Pension board, he also serves as a board member for SecurTek Monitoring Solutions Inc. and for Hospitality Network Canada Inc.

## New Pension Plan Manager

**Marg Selinger** - accepted the Pension Plan manager position and began her new role effective February 4, 2008. Marg joined SaskTel in 1986 and has filled a wide range of roles and responsibilities.

As an Accountant, her duties included terms in Economics, Product Contribution Reporting, Customer Services, and Marketing. She was promoted to management in 2001 and most recently held the position of

Senior Auditor - Financial. Marg is a professional accountant, holding a Certified Management Accountant (CMA) designation.

## Early Retirement Program

Phase III of the ERP was approved in the 2<sup>nd</sup> Quarter of 2007 and estimates were prepared and mailed out to all who qualify. Group 1 of Phase III had a take rate of 77.9% with 53 of 68 members accepting.

Group 2 in Phase III will elect on April 30, 2008.

As a result of the ERP, the active members decline each year and the retired members continue to increase. At December 31, 2007 there

were 243 active members (375 at December 31, 2006) and 2,004 retired members (1,911 at December 31, 2006).

## Annual Report Highlights

The Annual Report will no longer be mailed to every retiree, instead the highlights of the Annual Report will be communicated in the Annual Newsletter which will come out 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/index.html](http://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, you can contact one of the SaskTel Pension Plan contacts listed on the front page and we will mail one to you.



## Investment Returns

The SaskTel Pension Fund yielded a return of **5.0%** for the 12 months ended **December 31, 2007** which exceeded the benchmark of 3.5%. Over the year, Canadian and Emerging Markets equities provided strong re-

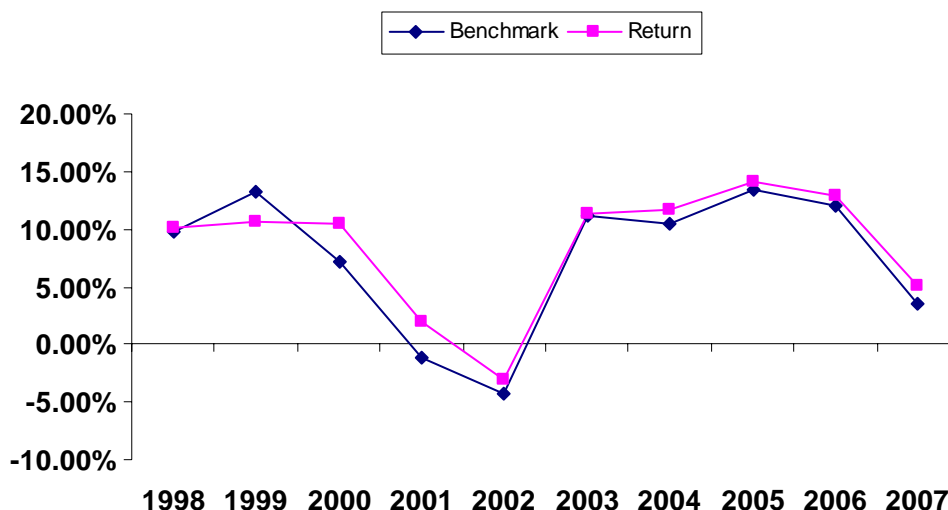
turns, offset by muted bond returns and negative foreign equity returns.

The year over year 2007 returns were not as strong as those experienced in 2006. The SaskTel Pension Fund had a return of 12.9%

for the 12 months ended December 31, 2006 compared to a benchmark return of 12.1%.

In 2007, there were no changes in the Investment Managers for the Pension Plan.

Historical Annual Returns %

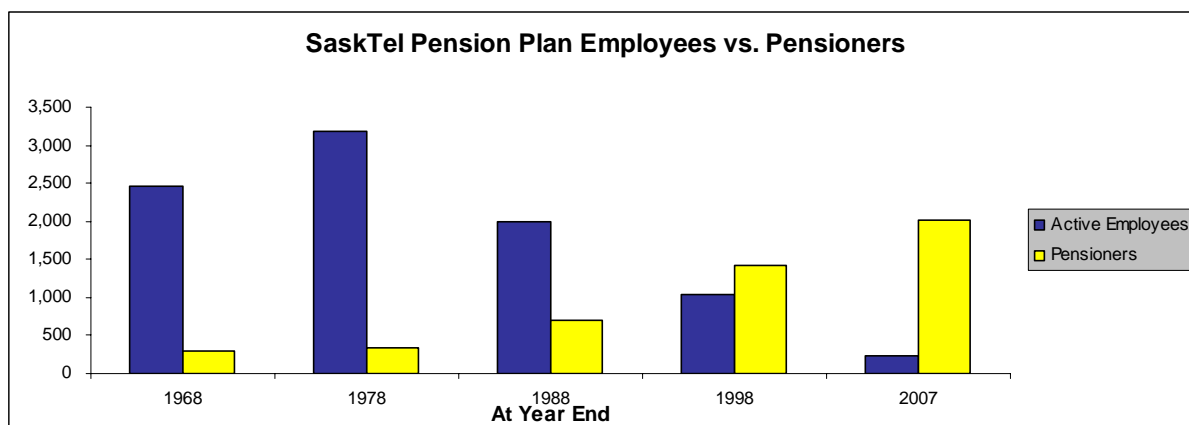


## PRESENT RETIREES AT THE END OF THE 80TH YEAR PERIOD

|                    | As at<br><u>Dec. 31, 2007</u> |          | Average<br><u>Age</u> | As at<br><u>Dec. 31, 2006</u> |
|--------------------|-------------------------------|----------|-----------------------|-------------------------------|
| Retirees 65 & Over | 515                           | Males    | 73.46                 | 508                           |
|                    | 284                           | Females  | 74.78                 | 276                           |
| Retirees Under 65  | 651                           | Males    | 57.29                 | 598                           |
|                    | 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                            |
| Total              | <u>2,004</u>                  |          |                       | <u>1,911</u>                  |

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

|                      | <u>Male</u> | <u>Female</u> | <u>Total</u> |
|----------------------|-------------|---------------|--------------|
| DirectWest Employees | -           | 7             | 7            |
| ISM Employee         | -           | 1             | 1            |
| CIC Employee         | -           | 1             | 1            |
| CEP Employee         | 1           | -             | 1            |
| SaskTel Employees    | <u>174</u>  | <u>59</u>     | <u>233</u>   |
| Total                | <u>175</u>  | <u>68</u>     | <u>243</u>   |



## Financial Highlights

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

2006 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%.

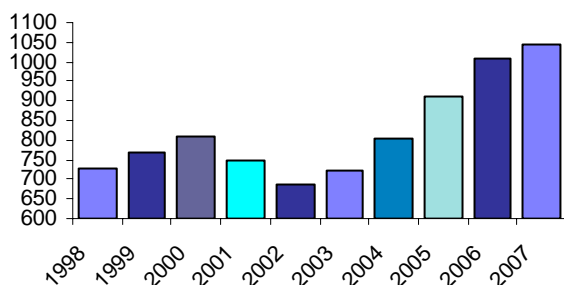


### Plan Membership as at December 31, 2007

|                  |              |
|------------------|--------------|
| Employee Members | 243          |
| Retired Members  | <u>2,004</u> |
| Total Members    | 2,247        |

## Net assets available for benefits increased by 3.5% in 2007

**SaskTel Pension Plan  
Net Assets  
\$ (millions)**



### 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 |

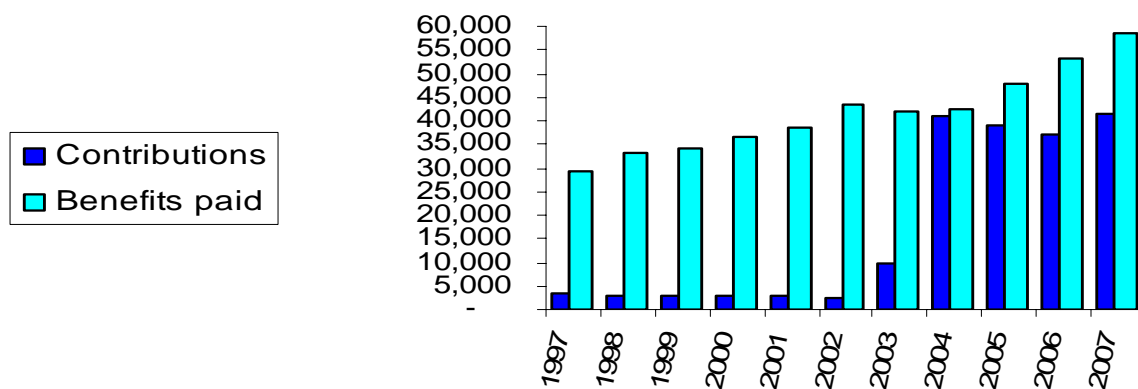
## Benefits Paid & Contributions

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.

**Benefits Paid and Contributions**  
\$ (thousands)



## Actuary News

An actuarial valuation was completed in 2007, based on 2006 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, 2003.

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 two years are as follows:

| <u>Valuation</u> | <u>2006 Valuation</u> | <u>2007 Extrapolated*</u> |
|------------------|-----------------------|---------------------------|
| Funding          | \$64M                 | \$86M                     |
| Solvency         | \$(108M)              | \$(80M)                   |
| Accounting       | \$(42M)               | \$29M                     |



\*An extrapolation is a process to determine the estimated results based on 2007 projections and updates—used in years when a valuation is not prepared.





**Did you know?**

Some of the frequently asked questions about **Pension Income Splitting** taken from the Canada Revenue Agency (CRA) website are listed below. For more information on Pension Income Splitting and other Q's & A's on the Tax Fairness Plan visit the CRA website at: [http://www.fin.gc.ca/pensioncalc/QA\\_e.html](http://www.fin.gc.ca/pensioncalc/QA_e.html)



### How does pension income splitting 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 pension 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.

## What income is eligible to be split?

**Income eligible for the pension income credit** may be split. Generally, this is:

- **Income in the form of a pension from a registered pension plan (RPP)**, regardless of the recipient's age (i.e., a pension from an employer-sponsored defined benefit plan or defined contribution plan).
- **Income from a registered retirement savings plan (RRSP) annuity, a registered retirement income fund (RRIF), a LIF (a locked-in RRIF), or a deferred profit sharing plan (DPSP) annuity**, if the recipient is 65 years of age or older.

**Income that is *ineligible* includes:**

- Old Age Security (OAS)
- Guaranteed Income Supplement (GIS)
- Canada Pension Plan / Quebec Pension Plan
- RRSP annuities, RRIFs, and DPSP annuities (if recipient is under age 65)
- RRSP withdrawals
- Income from retirement compensation arrangements (RCAs)

**While CPP income does not qualify as eligible pension income for the pension income credit, existing rules permit CPP pensioners to split their CPP retirement benefit.**

- Spouses and common-law partners, who are both at least 60 years of age, can **share up to 50 per cent of their CPP retirement benefit**, with the split between the partners determined by the number of years they lived together during the period they were required to contribute to the Plan.

