

SASKTEL PENSION PLAN NEWS

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Pension Board Trustees

Dale Hillmer - Chair

Mike Anderson

Scott Smith

Peter Brandt

Andy Malinowski

website: www.sasktel.com/sasktel-pension-plan

SASKTEL PENSION PLAN CONTACTS (for retired members)

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S4P 3Y2			
Fax (306) 777-5539			

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.com
2121 Saskatchewan Drive	Doris Hammett	(306) 777-3080	doris.hammett@sasktel.com
Regina, Saskatchewan	Shelley Holfeld	(306) 777-2195	shelley.holfeld@sasktel.com
S4P 3Y2			

The 2013 Annual Pension Increase is 0.94%

based on the increase in the **average** Consumer Price Index (CPI) for **Canada** which was 0.94% from December 2012 to December 2013.

2014/2015 Pension Payment Schedule

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
Friday	January 30
Friday	February 27
Tuesday	March 31

***Important
information see
page 7***

Reminders:

- **If you have not received your 2013 T4A please contact us and we can check our address records and forward you a copy.**
- **Please continue to ensure that we have your current mailing address and banking details (we require updated addresses and banking details to keep our records current).**
- **Please remember that earnings statements are mailed out 3 times per year (January, April, & December) due to tax changes, annual indexing, and the year end request for December.**
- Visit our website at **www.sasktel.com/sasktel-pension-plan** to find out what's new in the investment world & keep informed of our current news.

Annual Report Highlights

To view the complete Pension Plan Annual Report, visit the SaskTel Pension Plan website at www.sasktel.com/sasktel-pension-plan or contact us if you would like to receive a paper copy.

PRESENT RETIREES AT THE END OF THE 86th YEAR PERIOD

		Average Age	As at	As at
			Dec. 31, 2013	Dec. 31, 2012
Retirees 65 & Over	Males	74.28	653	631
	Females	76.27	325	314
Retirees Under 65	Males	59.82	499	542
	Females	59.33	262	281
Dependants	Spouses	78.36	286	270
	Children	0	0	0
Split Pensions	Males	0	0	0
	Females	68.70	17	16
			2,042	2,054

NUMBER OF EMPLOYEES UNDER THE PROVISIONS OF THE SASKATCHEWAN TELECOMMUNICATIONS PENSION PLAN AT DECEMBER 31, 2013

	<u>Male</u>	<u>Female</u>	<u>Total</u>
DirectWest Employees	-	2	2
SaskTel Employees	<u>38</u>	<u>17</u>	<u>55</u>
Total	<u>38</u>	<u>17</u>	<u>55</u>

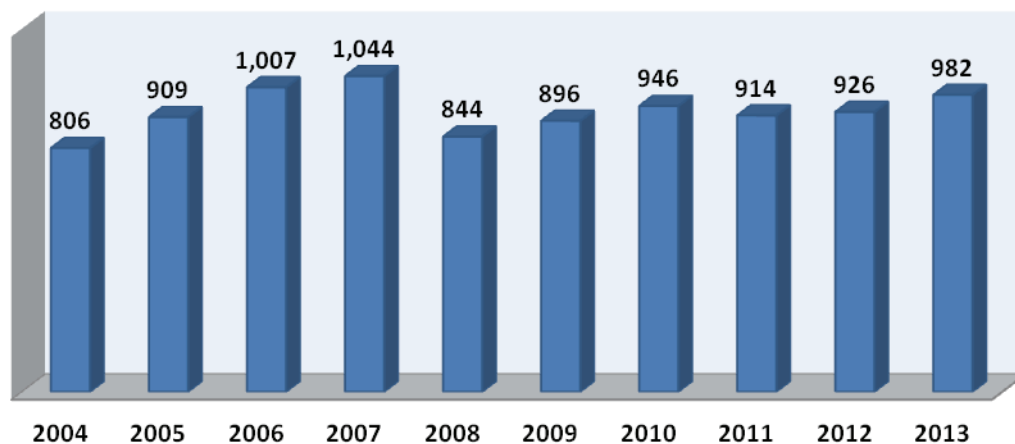
<u>Plan Membership</u>	
Employee Members	57
Retired Members	<u>2,042</u>
Total	<u>2,099</u>

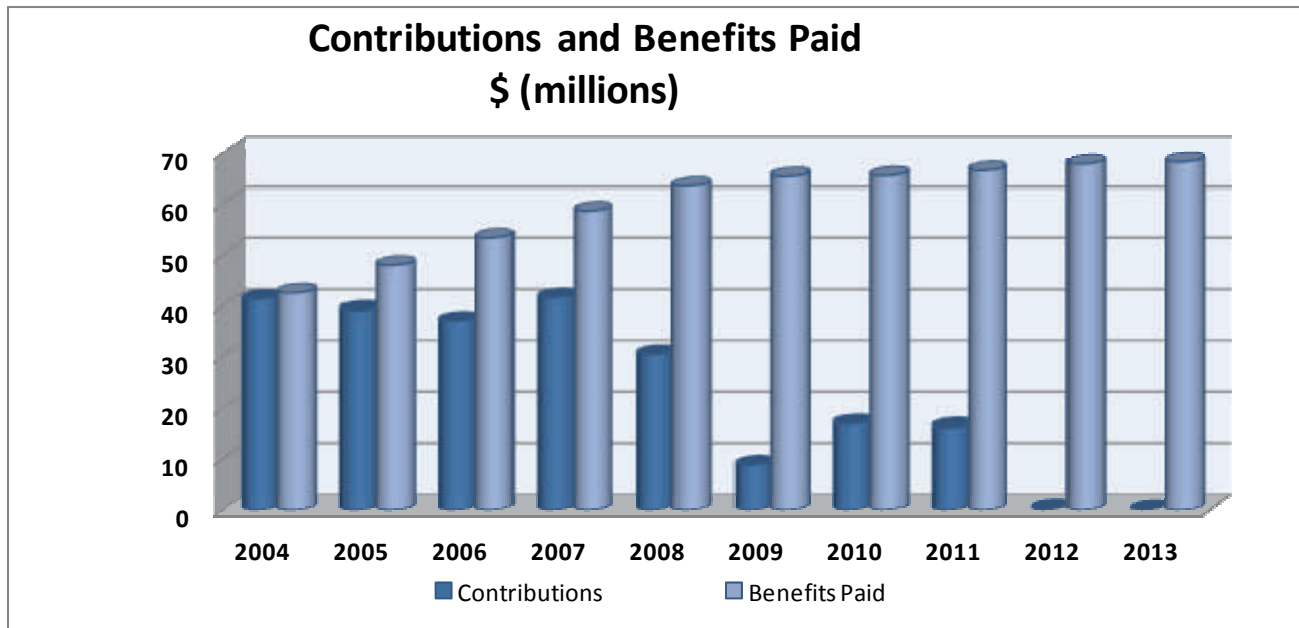
Net Assets Available for Benefits

(Thousands of dollars)	2013	2012
Net assets available for benefits - opening balance	\$925,784	\$907,811
Plus: Investment Income	30,659	35,458
Contributions	-	173
Less: Benefits	68,308	67,699
Expenses	3,075	2,794
Unrealized gains (losses)	<u>97,375</u>	<u>52,835</u>
Net assets available for benefits at yearend	<u>\$982,435</u>	<u>\$925,784</u>

Net assets available for benefits increased by 6.12% in 2013

SaskTel Pension Plan Net Assets \$ (millions)





There were no contributions in 2013, due to all employees having reached maximum years of service.

Benefits paid from the plan increased from \$67.7 million in 2012 to \$68.1 million in 2013 mostly due to the annual indexing.

Investment Returns & Financial Highlights

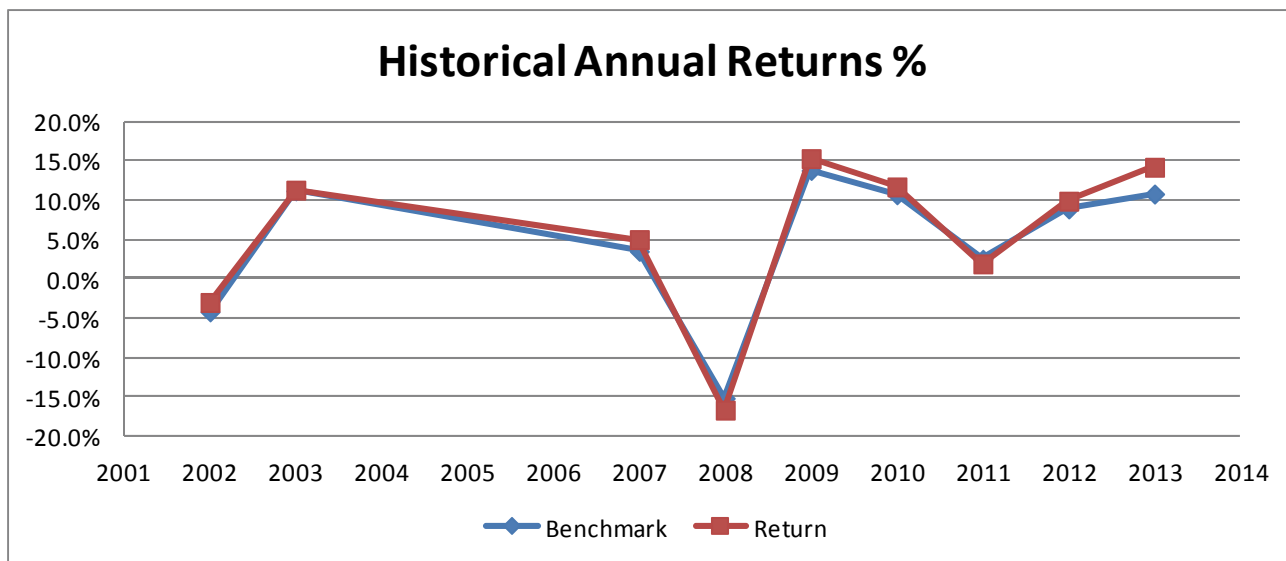
The Total Fund participated in the strong equity market run of the past year, delivering an annual return of 14.2% compared to the target benchmark return of 10.8%.

Global equity markets rallied throughout the year. Developed markets posted very strong gains with annual Canadian dollar returns for the U.S. market as represented by the S&P 500 at 41.3% and non-North American equities as represented by the MSCI EAFE Index at 31.0%. Canadian equities were muted at 13.0%, as the benchmark S&P/TSX Composite Index is heavily weighted to the Materials and Energy sectors which were under pressure given softening resource markets. Emerging markets equities were volatile, ending the year with a much lower 3.9% return.

The Canadian bond market was negative for the year, as yields rose resulting in price declines that more than offset coupon income. The Plan's bonds are longer dated to match liabilities, and were down 5.4% in 2013.

Asset mix was an important source of extra return, as the markets rewarded the Fund's bias to equities. Outperformance in real estate also added with a strong return of 11.7%.

Over four years, the Total Fund met its investment objective of exceeding the Total Fund benchmark, adding 0.8% per year. Strong absolute returns across equities, real estate and bonds combined to provide a 9.3% annualized result. The Fund exceeded the longer term real return objective of 3.5%, turning in a 7.5% return, after inflation.



Actuary News

An actuarial valuation was completed in 2011, based on 2010 financial results. *The Pension Benefits Regulations 1993* requires actuarial valuations to be filed at least every three years. The next valuation will be completed in 2014 based on 2013 financial results.

A Going Concern 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. A Projected Accrued Benefit valuation is used for financial reporting purposes and provides a valuation based on benefits earned to the valuation date.

Saskatchewan Telecommunications (SaskTel), has the ultimate responsibility to ensure that pension obligations are paid.

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

	2013	2012	2011	2010
<u>Valuation</u>	<u>Extrapolated</u>	<u>Extrapolation</u>	<u>Extrapolation</u>	<u>Valuation</u>
Going Concern	\$97M	\$37M	\$3M	\$22M
Solvency	\$(162M)	\$(362M)	\$(348M)	\$(162M)
Projected Accrued Benefit	\$(75M)*	\$(242M)**	\$(216M)***	\$(105M)****

*Based on accounting standards at December 31, 2013 and funding valuation at December 31, 2010.

**Based on accounting standards at December 31, 2012 and funding valuation at December 31, 2010.

***Based on accounting standards at December 31, 2011 and funding valuation at December 31, 2010.

**** Extrapolated based on accounting standards at December 31, 2010 and accounting valuation at November 30, 2009.



March 7, 2014

To: Members of the SaskTel Pension Plan

Re: New Funding Model for Saskatchewan Public Sector Pension Plans

New funding rules were implemented by the provincial government, in 2013, that impact the manner in which the SaskTel Pension Plan is funded. The government press release, in part, reads:

Effective June 26, 2013, the Government of Saskatchewan amended the funding rules under The Pension Benefits Regulations, 1993 for most public sector defined benefit pension plans so that contribution levels are less erratic, while ensuring that accrued pensions are adequately funded.

The new rules, which are overseen by the Financial and Consumer Affairs Authority of Saskatchewan (FCAA), remove the requirement to fund a plan's solvency deficiency while decreasing the period of time by which a going concern unfunded liability is required to be amortized from 15 to ten years.

All SaskTel Pension Plan members have now retired or have exceeded 35 years of service and, as such, no ongoing contributions are being made to the Plan - either by the members or by SaskTel. At this point in time, under the new rules and given that the Plan is in a Going Concern surplus position of \$97M, no other funding is required.

As the sponsor of the SaskTel Pension Plan, SaskTel is pleased that the Plan is in a healthy financial position, but remains committed to meeting all funding requirements necessary to fulfill pension obligations to plan members. Please be assured that SaskTel will closely monitor the Going Concern position of the Plan and will fully fund any short-falls, should they occur, in accordance with provincial regulations.

Note: The Going Concern position (surplus or deficit) is an actuarial calculation, built around the assumption that the plan continues to exist indefinitely. The Solvency position is also an actuarial calculation, but assumes that the plan had been wound up at the valuation date.

Mike Anderson
Chief Financial Officer

New Board Member

Andy Malinowski replaces **Brian Renas** as a Union appointed Member.

Thank you to Brian for his years of Board service.

Andy began his career at Sasktel in 1977 as an apprentice Switchman in the Yorkton Central Office. His entire career has been in network operations, being involved with Transport, Wireless, Switching and Data Networks. During his time at SaskTel he has worked on several contract assignments with SaskTel International on Optical Transport Networks in Western Europe, the Caribbean and the USA. He is currently a Trunking and Switching Technician in Yorkton.

Andy has been actively involved with the Union for many years as a Steward and currently is Chief Steward for Yorkton and District. He is a member of the SFL Pensions & Benefits Committee and Chair of the Unifor 1-5 Benefits Committee. He has had the opportunity to receive some pension training through this involvement. He has also taken U of S classes in Economics, Accounting and Business Law.

Andy and his wife Carol live in Yorkton and have three daughters.

New Board Member

Scott Smith replaces **Dale Baron** as a Corporation appointed Member.

Thank you to Dale for his years of Board service.

Scott is the Senior Director - Finance (Controller) of SaskTel, he is accountable for the preparation of accurate and timely financial information for SaskTel and its subsidiaries, and for ensuring that SaskTel's internal controls are effective. Scott began his career at SaskTel in 1999 and has held several different positions within the company during his career.

Scott is a Chartered Accountant and received his post-secondary education at the University of Saskatchewan.

Scott is a member of the Financial Executives International organization, the Institute of Internal Auditors, and sits on the Board of the Prairie Minor Football Association.

Scott is married and has two children.