

## Inside this issue:

Pension Board	2
Annual Pension Increase	3
Pension Payment Schedule	3
Annual Report Highlights	4
Year in Review	5
Actuarial Report Summary	7



# Message from the Chair

I commenced the role of Chair of the Pension Plan Board of Directors in January 2023, having succeeded Peter Hoffmann who was Chair for 5 years. I join the Board Members in expressing our appreciation for Peter's hard work and commitment to the work of the Board.

As of March 31, 2023, the Plan had approximately \$900 million in assets. Total benefits paid for the fiscal year were approximately \$60 million.

The Plan continues to progress towards total liability matching. Since the Plan is closed, the Board is pursuing a strategy of minimizing investment return risks by moving out of equities and is currently pursuing a reduction in real estate holdings. The Board will continue to monitor investment allocations to ensure that de-risking of the Plan's investments progresses in a manner that maintains the financial sustainability of the Plan.

An actuarial valuation will be performed as required in the coming year to assess the financial status of the Plan which will be filed by December 31, 2023. To assess the demographic assumptions used in this process, a longevity study was performed as well as a membership audit that is in progress. The Board is an engaged group that works diligently to serve the best interests of the members of the Plan.

Sincerely,

Marg Romanow, Chair

SaskTel Pension Board

## New Faces

**Marg Romanow** was appointed to the SaskTel Pension Plan Board on January 1, 2023, replacing Peter Hoffmann as Chair.

Marg has served on the Saskatchewan Healthcare Employees' Pension Plan board with time as Chair and has also served on the Canadian Blood Services National Pension Board, and the National Canadian Pension and Benefits Institute Board. Currently Marg serves on the International Foundation of Employee Benefits (IFEBC) Canadian Board, the Mobius Pension Plan Sponsor Board and United Way Regina Board.

Marg has completed the International Foundation's Trustee Management Standards program and the CEBS (Certified Employee Benefits Specialist). She holds a designation as ICD.D., a Board Director designation provided by the Institute of Corporate Directors. Marg is a Qualified Mediator and Qualified Arbitrator.

## Trustees

Marg Romanow  
Chair

Andrew Malinowski  
Unifor Representative

Jamie Patterson  
SaskTel Representative

Brian Renas  
Unifor Representative

Scott Smith  
SaskTel Representative

## 2023/24 Pension Payment Schedule

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

### 2023

Thu	August 31
Thu	September 28
Tue	October 31
Thu	November 30
Fri	December 22

### 2024

Wed	January 31
Thu	February 29
Fri	March 29
Tue	April 30
Fri	May 31
Fri	June 28
Wed	July 31
Fri	August 30

## Annual Pension Increase

The annual pension increase is 2.00% which was effective April 1, 2023. This reflects the Plan provisions for indexing which provide a maximum of a 2% increase based on the average consumer price index for Canada from December 2021 to December 2022.

## Life Events

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

## Power of Attorney

Do you have an **active** power of attorney currently looking after your affairs, or are you a power of attorney currently looking after a Plan member's affairs?

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. Please ensure that you provide a copy of the legal document to us to avoid delays in responding to your inquiries.

## Benefit Questions

For questions about your Plan benefits please see the Plan website, email, or call us (see our contact information on the last page of this newsletter).

For questions regarding your life insurance please contact PEBA by calling 1-306-787-3440.

## Missing Members

The Pension Plan is calling for your help to locate members. Do you know any of the members listed below and their current whereabouts? Please have them contact us to update their information.

Jack Brown

Marie Boutin

Gary Delorme

Harry Enevoldsen

Wayne Hunt

Doraine Kubica

Joyce Lechman

Ernest McLeod

Marlene Romanuk

Judith Tisdale

Jean Twerdachlib

Emilie Zaritsky

# 2022/23 Annual Report Highlights

As at March 31, 2023

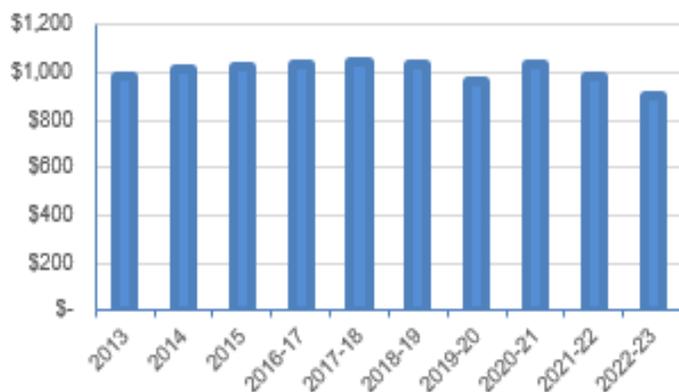
## Year at a glance

- **Going Concern status: 97.7%**
- **Solvency status: 105.5%**
- **Net assets: \$900 million**
- **Accounting obligation: \$786 million**
- **Accounting surplus: \$114 million**
- **Accounting status: 114.6%**
- **Total membership: 1,752**

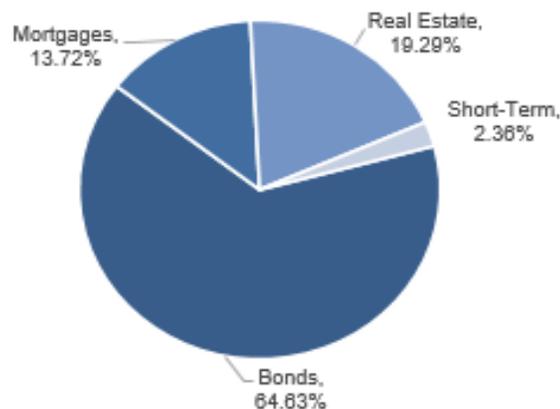
## Summary of Financial Position

(\$ thousands)	March 31, 2023	March 31, 2022
<b>Net assets available for benefits</b>	899,822	981,039
<b>Pension obligation</b>	785,498	883,696
<b>Surplus</b>	114,324	97,343

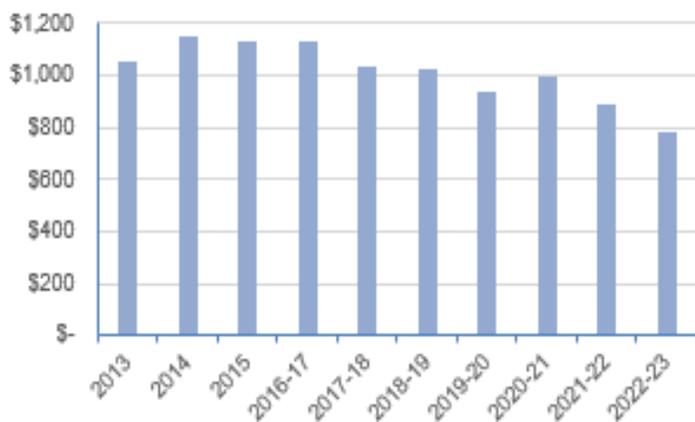
### Plan Assets (millions)



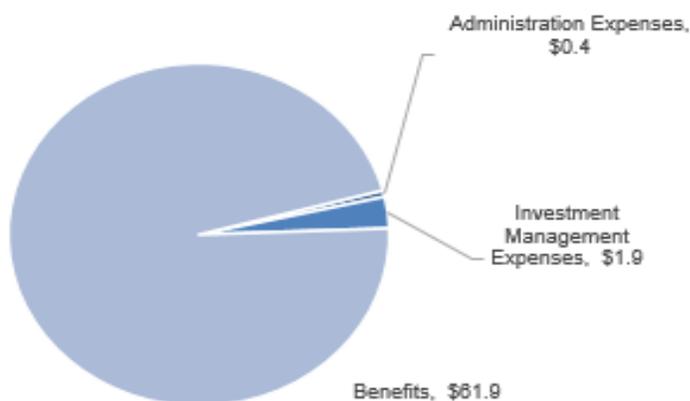
### Plan Asset Mix (%'s)



### Plan Obligations (millions)



### Plan Expenses (millions)



To view the full annual report, please visit our website or contact us to request a copy be sent to you.

# Year in Review

## Investment Policy

Market developments over the past year resulted in a marked improvement in the Plan's solvency valuation which provided the opportunity for the Pension Board to significantly alter the Plan's asset mix to better match the liabilities of the Plan. The Pension Board exited the equity space entirely and reduced the target asset allocation to real estate from 15% to 10%, while increasing the liability matched fixed income target allocation to 90% of assets. Given the limited liquidity of real estate, the Board expects the actual asset allocation to reach the target over the coming 12- to 18-months.

Given these changes, the Pension Board has rescinded the Dynamic Investing Policy as the guidance contained within that policy was no longer applicable to the Plan's situation. The Pension Board has also initiated an in-depth review of the Statement of Investment Policies and Goals which is expected to be complete in late 2023.

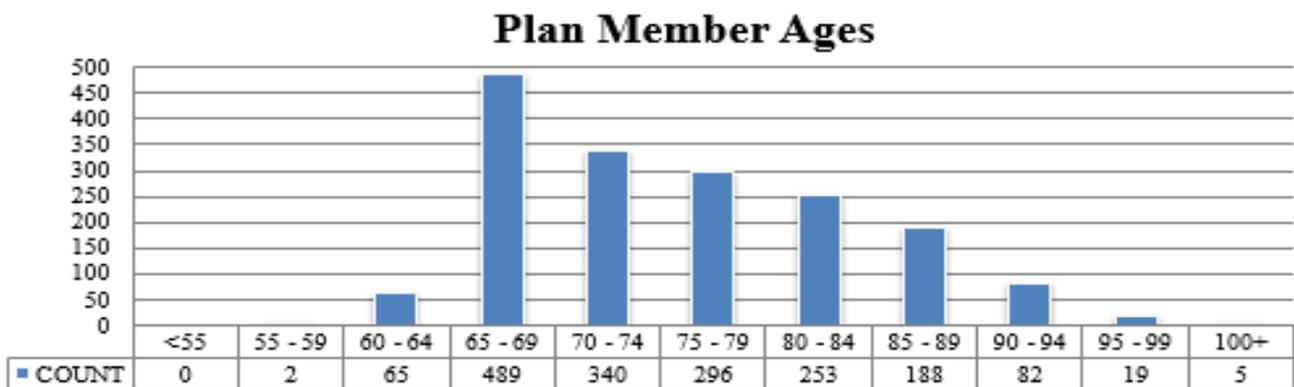
## Governance Activity

The Pension Board completed all governance requirements for the administration of the Plan, including:

- Reviewed investment performance quarterly
- Reviewed and updated the strategic plan and risk objectives
- Reviewed financial results
- Reviewed the Governance Manual

# Plan Member Data

At March 31, 2023, the average age of all Plan members was 75.9 years.



# Investment Performance

Global equity markets experienced an extremely volatile annual period. Equities suffered a sharp sell-off in the first half of 2022 as geopolitical risk took centre stage with Russia invading Ukraine. Inflation fears were unsettled throughout the period, leading to significant interest rate rises across the globe. The slowdown of inflation growth at the end of 2022, along with China's economy reopening helped MSCI All Country World Index (CAD) recover from earlier losses, returning 0.3% over 1-year period ending March 31, 2023. Over the 4-year period, the MSCI All Country World Index (CAD) returned 8.4%.

Canadian equities performance was mixed across sectors, with Consumer Staples leading the market while Health Care was the worst performing sector. Info Tech rebounded significantly in the most recent quarter, bringing the sector annual return to -5.9%. The Info Tech sector was led by Shopify which rose 37.8%. Canadian equity markets returned 4.6% in the first quarter of 2023 and -5.2% in 1-year period. Over the 4-year period, the S&P TSX Composite index returned 9.0%.

US equities sold off sharply in 2022 as elevated inflation and higher interest rate forecasts weighed on the region, leading to the underperformance of sectors such as Communication Services and Consumer Discretionary. In early 2022, the US Federal Reserve (the Fed) began to tighten monetary policy by increasing its benchmark interest rate. By March 2023 its benchmark policy rate was in the range of 4.75% - 5.0%. S&P 500 (CAD) delivered

(CAD) returned 0.0%, and 12.0% over the 4-year period.

The MSCI EAFE Index returned 6.9% in Canadian dollar terms over the year. Most sectors delivered positive returns, with the exception of Real Estate, which fell by 13.7% as rising interest rates impacted real estate valuations. The MSCI Emerging Markets (EM) Equity Index was the worst performer in global indexes over the year, returning -3.2%. China's economic reopening helped EM equities return 3.8% in Canadian dollar terms, in the last quarter. However, returns were moderated by US-China trade tension intensified after the Biden administration-imposed restrictions on the export of semiconductors made using U.S. technology.

The past year was notably poor year for bonds, which was unsurprising given the large move in policy interest rates. The substantial move up in yields last year is attributable to the magnitude of inflation being far bigger than anticipated. However, the recession fears and recent U.S. regional bank crisis cascaded into a flight-to-quality and yields dropped. The FTSE Canada Universe Bond Index rebounded in the most recent quarter, returning a positive 3.2%, yet fell by 2.0% over the year.

The Total Fund returned -1.1%, 0.7% above the benchmark over the year. Beutel Goodman Canadian Equities and TDAM Liabilities Matching Bonds added value, while TDAM Real Estate Fund underperformed. The Total Fund delivered -5.4% real return (net of inflation) as inflation remained elevated in 1-year period. Four-year performance was soft with a real return of -0.1%, yet over ten-years the Total Fund earned a 4.1% real return. Relative to the benchmark, the Total Fund trailed by 0.1% over four years; however, was able to add value of 0.3% over the ten-year period. Improvements in the funded level of the Plan, allowed additional de-risking steps to be implemented. The Total Fund target asset mix now consists of 10% real estate, 86% custom liability matching fixed income and 4% cash. The target asset mix will be implemented over several quarters as funds are redeemed from the TDAM Real Estate Fund.

**Annual Return (1 year, trailing)**



2016/17 return is 15 month return as at March 31, 2017

7.4% in Q1 2023 despite the collapse of Silicon Valley Bank, as inflation eased and investor sentiment rose. Over the year, S&P 500

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

# Actuarial Report Summary

In 2020, the Pension Board filed an actuarial valuation for the Plan as of March 31, 2020 as required by *The Pension Benefits Regulations* 1993. The next valuation will be completed in 2023.

The full valuation report can be read on the Plan's website.

## 2023 Update

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

As at March 31, 2023, the going concern estimate showed a deficit of \$21 million, down from the \$20 million surplus at the end of March 31, 2020. The deficit is primarily the result of not yet adjusting the provision for adverse deviation to reflect the derisking of the asset mix that occurred during the year. It is expected to return to a surplus position in the 2023 valuation study. The solvency valuation increased to a \$47 million surplus from a deficit of \$167 million at March 31, 2020.

### Significant assumptions from most recent valuation

- **Net investment return: 5.00% (5.00% previous)**
- **Average annual pension increase: 1.6% (1.6% previous)**
- **Average inflation 2.25% (2.25% previous)**

## Summary of Valuation Measures

Surplus (Deficit) in millions

	2023 Extrapolation	2020 Valuation	2017 Valuation
<b>Going Concern (Funding)</b>			
Assets	\$899	\$964	\$1,030
Actuarial Liabilities	(822)	(843)	(900)
Best Estimate	77	121	130
Provision for Adverse Deviation	(98)	(101)	(108)
Going Concern	(\$ 21)	\$ 20	\$ 22
Solvency	\$ 47	\$ (167)	\$ (158)
Accounting	\$114	\$ 23	\$ (101)

<sup>1</sup> Definition courtesy of Corporate Finance Institute, <https://corporatefinanceinstitute.com/resources/knowledge/economics/emerging-markets/>

# 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
- Life expectancy

Some assumptions are used to calculate the value of assets and some are used to calculate the value of current and future pension obligations. The actuary compares the assets to the estimated obligations and determines whether the Plan is properly funded.

## 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.

### *Going Concern (Funding)*

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.

### *Solvency*

The Solvency method views the Plan as if it were to cease operations immediately and pay out lump sum payments to members. This method provides additional insight to the Trustees.

### *Accounting*

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 assumptions used in an actuarial study are the best estimate of what the future may bring. Actual results may differ from the assumptions.**

**For example, while the assumptions use an average annual pension increase of 1.6%, that does not change the actual increases that may occur. In any given year the actual increase may be as high as 2% or as low as 0%, depending on the average value of the Canada Consumer Price Index.**

**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.**



Images on this page courtesy of freedigitalphotos.net

# SaskTel Pension Plan

2121 Saskatchewan Drive  
6th Floor  
Regina SK S4P 3Y2

Phone: 306-777-4123

Fax: 306-777-5539

E-mail: [sasktel.pensionplan@sasktel.com](mailto:sasktel.pensionplan@sasktel.com)

website: [www.sasktel.com/pensionplan](http://www.sasktel.com/pensionplan)

Established in 1928, the 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 Board appointed by the Corporation and Union consisting of 4 members plus an independent chair.