SaskTel Pension Plan News

July 2019

Inside this issue:

Message from the Chair

The past year has been a productive one for the SaskTel Pension Plan (the Plan) and it continues to be in a sound financial position.

Our investment portfolio returned 5.6% for the year ended March 31, 2019, and is valued at slightly more than $1 billion.Total annual benefits paid to Plan members during the year were $66.5 million and the expense ratio for the Plan is .28%.

The Pension Board remains focused on the financial health of the plan, and to this end the Board closely monitors the investment performance of its various investment managers. As well, with the support of the investment consultant we continue to perform forward-looking analysis to keep the Plan on sound financial footing for the long term.

A key part of the Plan’s governance is an annual review of the Plan’s Governance Manual (Manual). Since our last major revision was in 2007 and in 2016 the Canadian Association of Pension Supervisory Authorities issued a revised and updated “Pension Plan Governance Guideline”, the Board has initiated a substantive review of the Manual. We expect to complete the project during the upcoming year thereby ensuring that the Plan’s governance practices reflect current best practise.

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

Peter Hoffmann
SaskTel Pension Plan Chair

Pension Board Trustees

Images on this page courtesy of freedigitalphotos.net

Annual Pension Increase

The annual pension increase is 2.00% which reflects the increase in the average consumer price index for Canada from December 2017 to December 2018. The increase was effective April 1, 2019.

Email Address

The Pension Plan's email address is sasktel.pensionplan@sasktel.com. Please use this email to ensure that your message is received and addressed in a timely manner.

2019/20 Pension Payment Schedule

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

2019	
Fri	August 30
Mon	September 30
Thu	October 31
Fri	November 29
Mon	December 23
2020	
Fri	January 31
Fri	February 28
Tue	March 31
Thu	April 30
Fri	May 29
Tue	June 30
Fri	July 31
Mon	August 31

Power of Attorney

Do you have an active power of attorney looking after your affairs, or are you a power of attorney 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.

Life Events

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

Benefit Questions

For questions about your Plan benefits please see the Plan website 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.

Images on this page courtesy of freedigitalphotos.net

2018/19 Annual Report Highlights

As at March 31, 2019

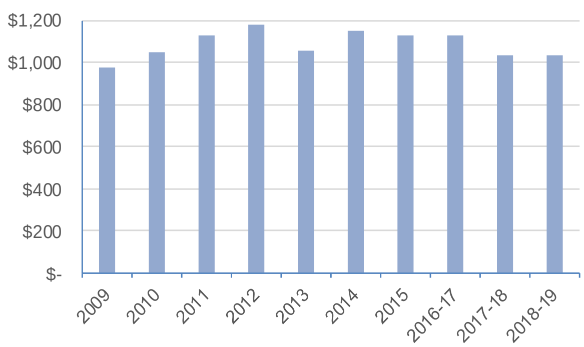
Year at a glance

- **Going Concern status: 105.7%**
- **Solvency status: 88.6%**
- **Net assets: $1.031 billion**
- **Pension obligations: $1.026 billion**
- **Accounting surplus: $5 million**
- **Accounting status: 100.5%**
- **Total membership: 1,928**

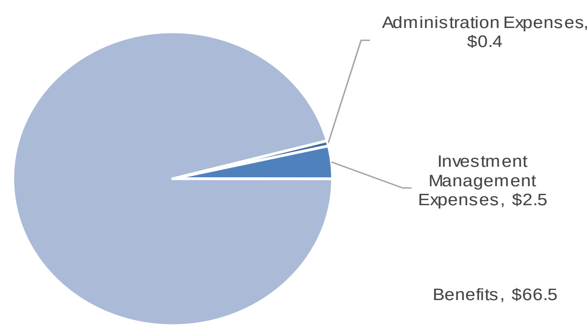
Summary of Financial Position

($ thousands)	**March 31, 2019**	March 31, 2018
Net assets available for benefits	1,030,935	1,043,547
Pension obligation	1,026,310	1,036,502
Surplus	4,625	7045

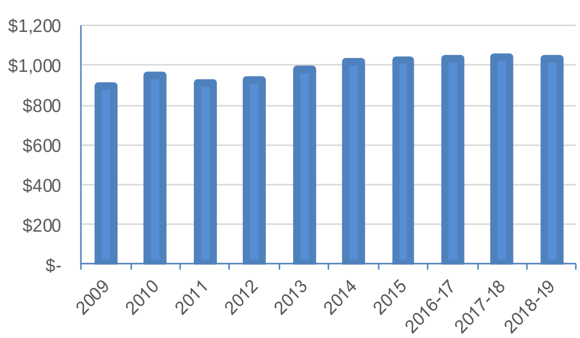
Plan Obligations (millions)



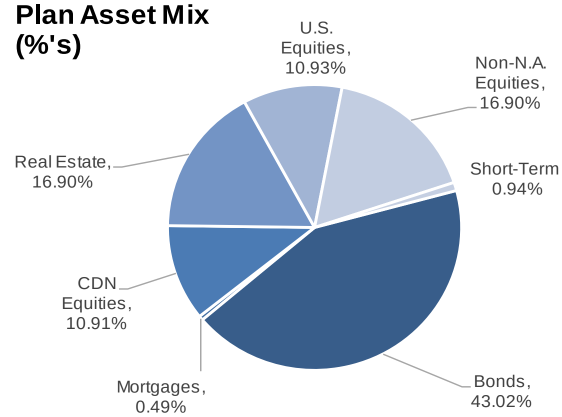
Plan Expenses (millions)



Plan Assets (millions)



Plan Asset Mix (%'s)



Investment Performance

Concerns of rising interest rates, historically high equity valuations and trade war rhetoric continued to drive volatility in markets globally, culminating with a fourth quarter sell-off, as capital fled to safety. The first quarter of 2019 however saw a strong rebound, with returns broadly positive across global equity and bond markets.

The Canadian equity market was amongst the stronger returning developed equity markets in the year with an 8.1% annual result for the S&P/TSX Composite Index. Performance was positive across most sectors, with the exception of Consumer Discretionary, where the impact of slowing economic growth was most pronounced. The Energy sector had been a major laggard through the majority of the period, until the first quarter of 2019, when surging crude oil prices and an improvement in global investor risk sentiment reinvigorated the sector. Health Care, Information Technology and Real Estate were the main outperformers and were the leading sectors during the first quarter rebound.

U.S. equities continued to lead global equity markets higher. The S&P 500 Index returned 9.5% in U.S. dollars, rising to 13.5% in Canadian dollars, as the loonie depreciated by 4%. Sector performance was broadly positive, with only the Financials sector turning in a negative result, highlighting investor concerns over the flattening/falling yield curve. Large cap growth stocks led value stocks and other market segments by a wide margin.

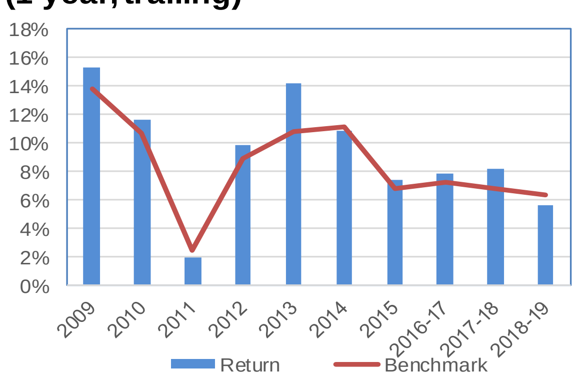
The MSCI EAFE Index, representing non-North American developed equity markets, had a Canadian dollar return of -0.2% over the year (down from a positive 2.8% in local currencies), driven by weakness in the Eurozone. Heightened uncertainty around Brexit and slowing economic readings weighed on the minds of investors. Emerging Markets trailed global developed equity markets, returning -4.1% in Canadian dollars over the annual period, driven by rising borrowing costs (impacted by overall rising interest rates, and a strong US dollar) and trade uncertainty.

Fixed income performance in the year was heavily influenced by central banks. Hawkish sentiment drove yields higher earlier in 2018, with resulting negative returns for bond markets, before a dovish stance was taken during the fourth quarter as equity markets were selling-off. From then until the end of period, yields fell substantially, driving strong bond market returns. For the annual period ended March 31, 2019, the FTSE Canada Universe Bond Index returned 3.9%, while longer term bonds (FTSE Canada Long Term Bond Index) returned 7.3%. The Plan's bond portfolio is customized to reflect the duration of the liabilities, which are relatively long term in nature, and returned 6.9% in the year.

The Total Fund return was 5.6% vs. the 6.3% benchmark return in the year. Underperformance was mainly the result of weakness from GMO in their International equity strategy and Beutel Goodman in their Canadian equity strategy, both of which are style-biased towards value names, a major contributor to underperformance in the period. Greystone custom bonds and real estate outperformed respective benchmarks, as did GMO in their traditional emerging markets strategy. The Plan's asset mix is close to benchmark at year end, with small overweights in custom bonds and real estate.

Medium and longer-term performance tracked ahead of benchmark; the Total Fund met its primary performance objective over both the four-year (5.9% vs. 5.5%) and ten-year (9.7% vs. 9.4%) periods. The Plan's real return objective of 3.5% was also met over both periods.

Annual Return (1 year, trailing)



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

Images on this page courtesy of freedigitalphotos.net

Actuarial Report Summary

Significant Assumptions

- **Net investment return: 5.00% (6.35% previous)**
- **Average annual pension increase: 1.6% (2% previous)**
- **Average inflation 2.25% (2.50% previous)**

In 2018, the Pension Board filed an actuarial valuation for the Plan as of March 31, 2017 as required by *The Pension Benefits Regulations* 1993. The next valuation will be completed in 2020.

Going Concern

The Plan was in a surplus position using the going concern method of $22 million at March 31, 2017, up from a $10 million surplus at the end of 2013, the previous valuation year.

The increase in surplus was mainly due to favourable asset performance, offset by an increase in liabilities due to the net effect of changes in assumptions as well as the Board's decision to increase the provision for adverse deviation, or "safety margin" from 10% to 12%, increasing the reserve from $88 million in 2013 to $108 million in 2017.

Solvency

The solvency valuation at March 31, 2017 was calculated to be a deficit of $158 million, up from the December 31, 2013 $156 million deficit.

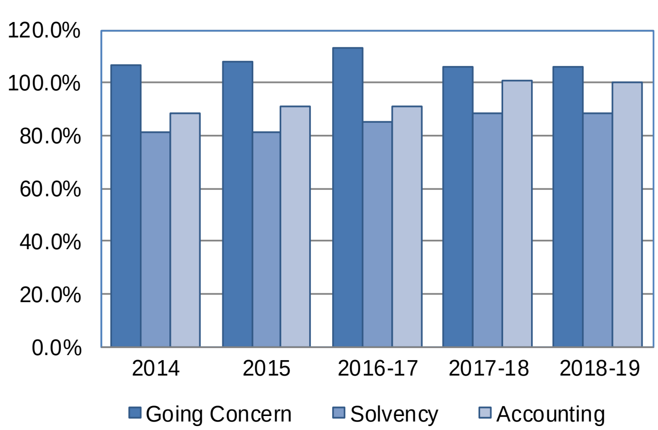
The decrease in solvency is attributed to a slight decline in interest rates, partially offset by favourable asset performance.

2019 Update

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

As at March 31, 2019, the going concern valuation showed a surplus of $55 million, up from the $22 million at the end of March 31, 2017. The solvency valuation improved to a $132 million deficit from a deficit of $158 million at March 31, 2017.

Valuation Ratios



Summary of Valuation Measures

Surplus (Deficit) in millions

	2019 Interim	2017 Valuation	2013 Valuation
Going Concern (Funding)			
Assets	$1,031	$1,030	$982
Actuarial Liabilities	(871)	(900)	(884)
Provision for Adverse Deviation	(105)	(108)	(88)
Going Concern	$ 55	$ 22	$ 10
Solvency	$ (132)	$ (158)	$ (156)
Accounting	$ 5	$ (101)	$ (75)

Images on this page courtesy of freedigitalphotos.net

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 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.

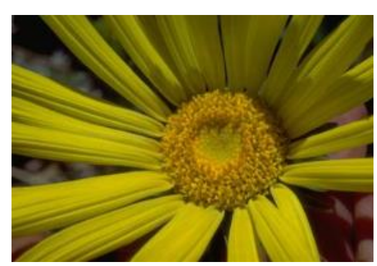
Accounting

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 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

Year in Review

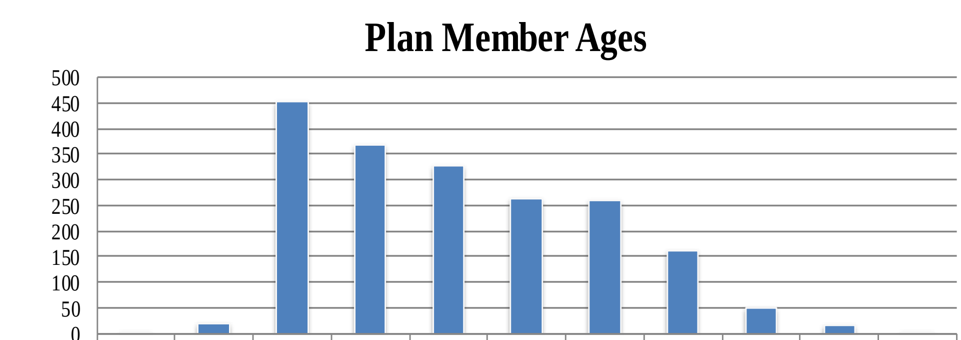
The Board is committed to pursuing sound governance practices in discharging its responsibilities as administrator of the Pension Plan. The Board strives to ensure the Pension Plan is administered always in an effective manner and consistent with the fiduciary duties owed to plan members and other stakeholders.

Activities completed by the Board during 2018/19 included:

- Completed all governance requirements
- Reviewed investment performance quarterly
- Initiated a project to review the governance program which is expected to be complete by the end of December 31, 2019
- Reviewed the strategic plan and risk objectives
- Reviewed financial and administrative risk controls
- Reviewed and updated the investment asset mix
- Pension Board Members completed a combined 222 hours of educational activity

Plan Member Data

At March 31, 2019, the average age of all Plan members was 73.6 years.



	<55	55 - 59	60 - 64	65 - 69	70 - 74	75 - 79	80 - 84	85 - 89	90 - 94	95 - 99	100+
COUNT	1	21	454	367	329	263	261	163	49	17	3

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

website: 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.