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**SaskTel** 

# Message from the Chair

The past year has been eventful with no shortage of developments in the markets and world. Through this all, the SaskTel Pension Plan (the Plan) continues to be in a good financial position.

The Plan's investment portfolio returned 1.4% for the year ended March 31, 2022, and is valued at \$981 million. Total annual benefits paid to Plan members during the year were \$63.4 million which included a 0.72% CPI adjustment effective April 1, 2021. The expense ratio for the Plan was 0.33%.

Market developments over the past year enabled the Board to significantly alter the Plan's asset mix, increasing the liability matching component of the portfolio and decreasing the allocation to equities including a complete exit of emerging market securities. In combination, the Board believes these changes have reduced the investment risk of the portfolio substantially.

The Board continued its work on strengthening its governance practices by completing Privacy and Code of Conduct policies, both of which are available in the Governance Manual on the Plan's website, as well as finalizing a first ever administration agreement with SaskTel for the provision of administration services to the Plan. We believe we are in alignment with the Canadian Association of Pension Supervisory Authorities (CAPSA) Guideline No. 4 (December 2016) which outlines governance best practices for pension plans.

We hope that this newsletter finds you in good health and that the information contained within is informative.

Peter Hoffmann  
SaskTel Pension Plan Chair

## Trustees

Peter Hoffmann  
Chair

Jamie Patterson  
SaskTel Representative

Scott Smith  
SaskTel Representative

Andrew Malinowski  
Unifor Representative

Brian Renas  
Unifor Representative

## Mission Statement

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 Plan beneficiaries.

# IMPORTANT! Alive and Well Letters

You will be receiving a letter in the mail from the Pension Plan requesting confirmation that you are alive in the coming months. The letters are anticipated to be sent by the end of September. This is a legitimate request from the Pension Plan that you must respond to. We appreciate your co-operation in this exercise.

## What is this?

An alive and well initiative is an audit of the Plan's membership records.

## Why is this being done?

The Plan is undertaking this initiative to validate that the membership data held in Plan records is up to date and accurate. The Pension Board relies on the aggregated membership data when making decisions on how to invest the Plan's assets and to assess the risks facing the Plan. Using accurate data allows the Pension Board to better assess the state of the Plan.

Ultimately this benefits you by maximizing your pension's security into the future by ensuring the Pension Board is using accurate data in its decisions.

## This hasn't been done before, why now?

Later in this newsletter is a summary of the Plan's financial status. Recent improvements in the Plan's status have created new opportunities in the way the Plan's investments are structured. The Pension Board requires the most accurate data possible when deciding upon the investment structure.

## What if I don't respond?

Depending on the situation, a non-response may ultimately lead the Pension Board to conclude that you are deceased and your pension will be stopped.

## Why do I need to confirm my spouse is alive?

Understanding if there is a spousal benefit payable is a significant factor in determining how to best protect your pension as it affects the estimates of how long your pension will be paid and therefore how much money the Plan needs to set aside.

As a reminder, your spouse for Plan purposes is the person you were legally married to at the time of retirement. New spouses cannot be added to the Plan subsequent to retirement. If you are unsure of your spouse's status with the Plan, please contact us using the contact information at the end of this newsletter.

## What if I do not get a letter?

If you do not receive a letter, the most likely reason for this occurring is that we do not have your current address in our records. Please contact us immediately using the contact information at the end of this newsletter to update your address and we will send a letter to you.

## 2021/22 Pension Payment Schedule

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

### 2022

Wed	August 31
Thurs	September 29
Mon	October 31
Wed	November 30
Fri	December 23

### 2023

Tues	January 31
Tues	February 28
Fri	March 31
Fri	April 28
Wed	May 31
Fri	June 30
Mon	July 31
Thurs	August 31

## Annual Pension Increase

The annual pension increase is 2.00% which was effective April 1, 2022. 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 2020 to December 2021.

## 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.

Sandra Bacon

Gary Delorme

Christina Klus

Margaret Knapik

Walter Kuprowski

Thomas Piller

Gerry Shewciw

Brian Zubko

# 2021/22 Annual Report Highlights

As at March 31, 2022

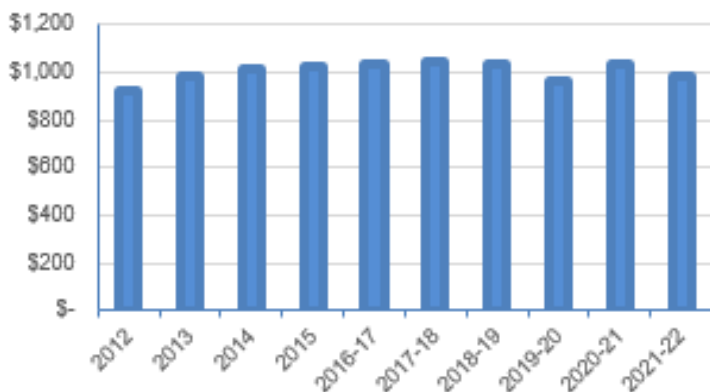
## Year at a glance

- **Going Concern status: 100.7%**
- **Solvency status: 102.9%**
- **Net assets: \$981 million**
- **Pension obligations: \$884 million**
- **Accounting surplus: \$97 million**
- **Accounting status: 111.0%**
- **Total membership: 1,802**

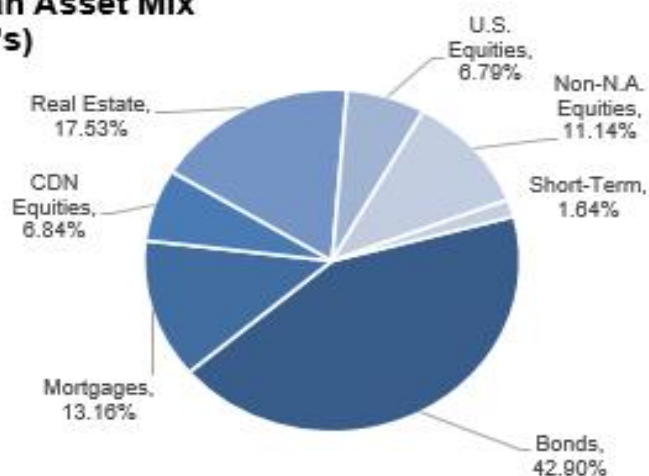
## Summary of Financial Position

(\$ thousands)	March 31, 2022	March 31, 2021
<b>Net assets available for benefits</b>	981,039	1,030,851
<b>Pension obligation</b>	883,696	992,773
<b>Surplus</b>	97,343	38,078

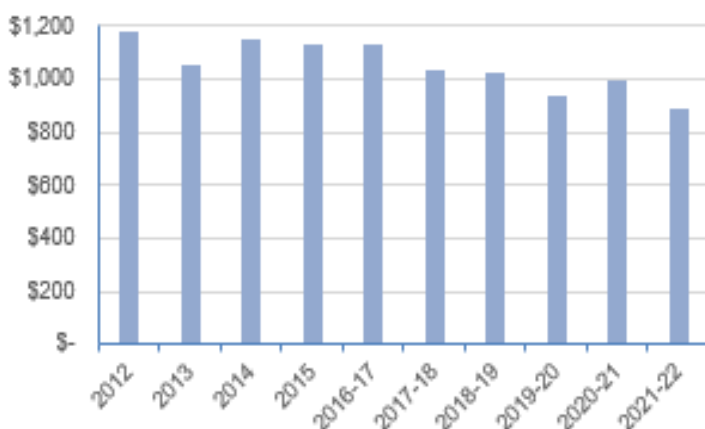
## Plan Assets (millions)



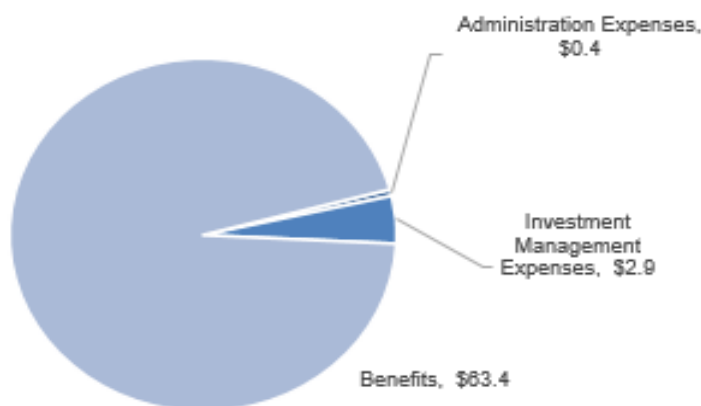
## Plan Asset Mix (%'s)



## 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 provided opportunities for the Pension Board to evolve the Plan's asset mix to better match the liabilities of the Plan as outlined in the Dynamic Investing Policy. As a result, the Plan's target equity allocation was reduced by 10% while the liability matched fixed income allocation increased by 10%.

The Pension Board also reassessed the risks to the Plan's investment portfolio with the assistance of its investment consultant given geopolitical developments. The Pension Board decided to discontinue investing in emerging market securities and divested of its holdings in this sector at the end of March 2022. Emerging market securities comprised approximately 5% of the Plan's \$1 billion of assets prior to the divestment.

## Governance Activity

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

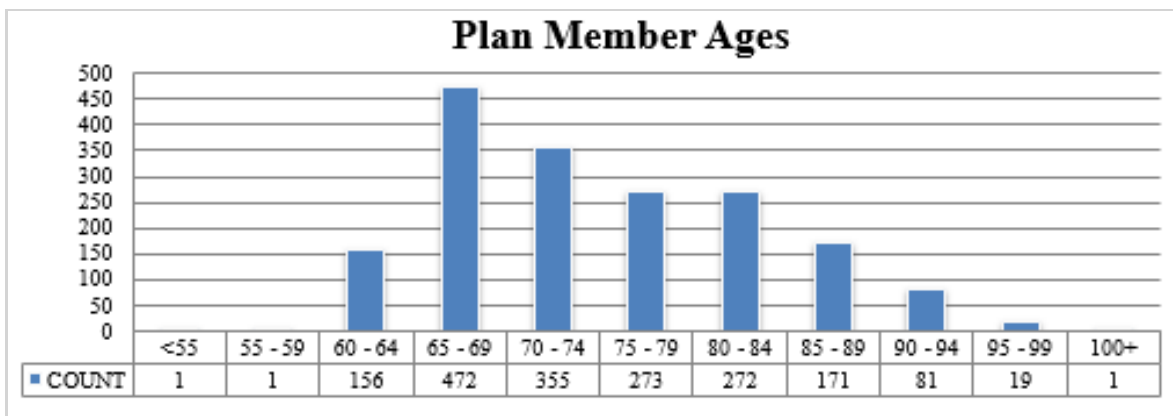
- Reviewed investment performance quarterly
- Reviewed and updated the strategic plan and risk objectives
- Reviewed financial results
- Reviewed the Governance Manual

The Governance Manual was further enhanced with the inclusion of both a Privacy Policy and Code of Conduct of Conduct Policy.

An Administration Service Provider Agreement formally outlining the administration services provided to the Plan by SaskTel was finalized, marking the first ever formal agreement between the Pension Plan and SaskTel for this purpose.

# Plan Member Data

At March 31, 2022, the average age of all Plan members was 75.2 years.





# Investment Performance

Global equity markets were strong for most of 2021; however, the start of 2022 saw a dramatic shift in market tone with several headwinds pushing markets to the negative. These included Covid-19 lock-downs in China, high inflation levels (40-year highs in the US and 31-year highs in Canada), supply-chain disruptions, labour shortages, high energy prices, central bank bond portfolio tapering and interest rate hikes, and the Russian invasion of Ukraine. In Canadian dollar terms, the MSCI All Country World Index (a barometer for global equity markets) returned 6.6% for the year ended March 31, 2022. Over the longer term (4 years), the MSCI All Country World Index returned 10.0%.

The Canadian equity market was among the top performing markets globally over the past year with the S&P/TSX Composite up 20.2%. Performance was positive across most sectors, with Energy and Materials posting the strongest returns as oil and commodity prices rose significantly over the year. The two worst sectors in the year were Health Care and Information Technology. Within the Information Technology sector, Shopify was down 38% after returning a whopping 135% a year ago.

The S&P 500 Index continued to provide strong results, returning 15.6% in U.S. dollar terms over the past year and 14.8% in Canadian dollar terms as the U.S. depreciated slightly in the year. On a style basis, large cap growth stocks continued to outperform their value counterparts and large cap positions outperformed small cap names.

The MSCI EAFE Index, representing non-North American developed equity markets, had a Canadian

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



dollar return of 0.5% over the year ended March 31. Performance was mixed across sectors with Energy, Consumer Staples and Health Care positive, and

Communication Services, Consumer Discretionary and Industrials detracting. Emerging Markets were down 11.9% in Canadian dollar terms over the annual period. China, which makes up one-third of the Emerging Market Index, as the weakest country in the Index, down 32.9% in Canadian dollar terms due to increased regulations, concerns with Chinese real estate developers and Covid-19 lockdowns. Emerging markets were further hampered when Russia was deemed uninvestable and the value of Russian securities were written down to nil by the major index providers.

Fixed income returns over the past year were heavily influenced by central banks, most notably in the first quarter of 2022 when the Bank of Canada and the U.S. Federal Reserve began to increase policy interest rates and formally ended quantitative easing. In Canada, the yield curve rose dramatically across all terms, particularly at the front end of the curve. The move to higher yields led to a first quarter 2022 losses of -7.0% for the FTSE Canada Universe Bond Index and -11.7% for the FTSE Canada Long Bond Index. Annual results were slightly less negative with the FTSE Universe Bond Index down 4.5% and the FTSE Canada Long Bond Index down 5.6%. The Plan's bond portfolio is customized to reflect the duration of the liabilities, which are relatively long term in nature, and returned -4.1% over the year.

The Total Fund trailed its benchmark by 0.7% over the year, returning 1.4% vs the 2.1% benchmark return. TDAM Liability Matching bond mandate added value over the past year while Beutel Goodman Canadian equity and TD Greystone Real Estate detracted. The Plan exited the GMO International Equity and Emerging Market Equity mandates in late March 2022 with the proceeds invested in the TDAM International Equity Index strategy. Longer-term performance has been positive with a real return of 2.2% over four years and 5.6% over ten years, well above the 2.9% real return objective over ten years. Performance relative to benchmark was mixed; over four years the Total Fund trailed by 0.6% (5.1% vs 5.7% benchmark); however, over ten years outperformed by 0.2% (7.6% vs 7.4%).

2016/ 17 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.

# What are emerging markets?

“Emerging markets” is a term that refers to an economy that experiences considerable economic growth and possesses some, but not all, characteristics of a developed economy. Emerging markets are countries that are transitioning from the “developing” phase to the “developed” phase. Brazil, Russia, India, China, and South Africa are the biggest emerging markets in the world.<sup>1</sup>

## 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.

### 2022 Update

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

As at March 31, 2022, the going concern estimate showed a surplus of \$7 million, down from the \$20 million at the end of March 31, 2020. The solvency valuation increased to a \$28 million surplus from a deficit of \$167 million at March 31, 2020.

## Summary of Valuation Measures

### Surplus (Deficit) in millions

	2022 Interim	2020 Valuation	2017 Valuation
<b>Going Concern (Funding)</b>			
Assets	\$981	\$964	\$1,030
Actuarial Liabilities	(870)	(843)	(900)
Provision for Adverse Deviation	(104)	(101)	(108)
Going Concern	\$ 7	\$ 20	\$ 22
Solvency	\$ 28	\$ (167)	\$ (158)
Accounting	\$ 97	\$ 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

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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.