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SaskTel 

Message from the Chair

The past year has been a busy one for the SaskTel Pension Plan and I want to update you on some of our activities.

Our investment portfolio had a healthy return of 10.9% on the year and is now valued slightly more than \$1 billion. While this is welcome news, we remain focused on the financial health of the plan in the future. To this end, the Board reviews the experience of the past in conjunction with a forward-looking actuarial analysis to ensure the Plan remains on good footing.

In May, 2014 we took our first step along the Dynamic Investing policy, reducing our exposure to equities and increasing our allocation to less risky bonds. This is an important milestone as we work to match the volatility of our investment portfolio to that of our obligations in a reasoned and economical manner.

We also performed a full actuarial valuation of the plan in 2014 as required by pension regulations and filed the results with the pension regulator. While you will read the summary elsewhere in this newsletter, the valuation showed that the plan remains in a good position to meet its current and

future obligations.

This year we were required to adopt new mortality tables from the Canadian Institute of Actuaries. The new tables reflect that people today are living longer than previously assumed, which is great news for us but a challenge to the plan as it increases the cost of the plan. I am pleased to note that the plan was in a healthy position and was able to absorb this increased cost without issue. This serves as a reminder of the importance of being able to deal with unforeseen events, and is why the Board remains engaged in risk management activities. We are cautious in our approach and work to build a financial cushion against risk, called margin, to help us weather changes such as this.

On the governance side, as we do every year an external governance specialist reviewed the plan's activities and governance structure to ensure we are operating effectively and that risks to the plan have been properly mitigated.

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

Dale Hillmer
SaskTel Pension Plan Chair

Pension Board Trustees



Dale Hillmer
Chair

Andrew Malinowski
Unifor Representative

Mike Anderson
SaskTel Representative

Gregory Young
Unifor Representative

Scott Smith
SaskTel Representative

Did you know...

The SaskTel Pension Plan (and its predecessor plans) has provided retirement income to more than 3,300 individuals since being established in 1928?

Annual Pension Increase



The annual pension increase is 1.91% based on the increase in the average consumer price index for Canada from December 2013 to December 2014, which was 1.91%. The increase is effective April 1, 2015.

2015/16 Pension Payment Schedule

Pension payments are deposited directly to your account on the last business day of the month except for December, which is deposited two business days before Christmas Day.

2015/16 payments are:

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

Please remember that earnings statements are mailed 3 times per year, in January, April, & December.

New Faces

Gregory Young replaces Peter Brandt as a Unifor representative on the Board of Trustees.

Greg began his career at SaskTel in 1976 as a Cableman in Moose Jaw and worked in several different positions in Moose Jaw and Regina, finishing his career as a Trunking/Switching Technician in Moose Jaw.

Greg has held several positions with Unifor Local 3 and spent 3 years on the Unifor/TPAS Joint Council pension committee. Since retiring from SaskTel, Greg has spent time with Bombardier Aerospace and is currently working at Mosaic Potash.

Greg retired from SaskTel in 2007.

Greg and his wife Linda have two children, a daughter and son, and three grandchildren.

Darlene Achter has joined the SaskTel Pension Plan Administration team as the Plan's Senior Clerical Associate. Darlene is responsible for member services and payroll processing. She is the first point of contact for member inquiries.

Darlene has been with SaskTel for 22 years and worked in Marketing, Direct West and most recently in Customer Services. Prior to joining SaskTel, Darlene had experience in a law office.

Darlene has a Business Administration Certificate from the University of Regina.



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2014 Annual Report Highlights

Year at a glance

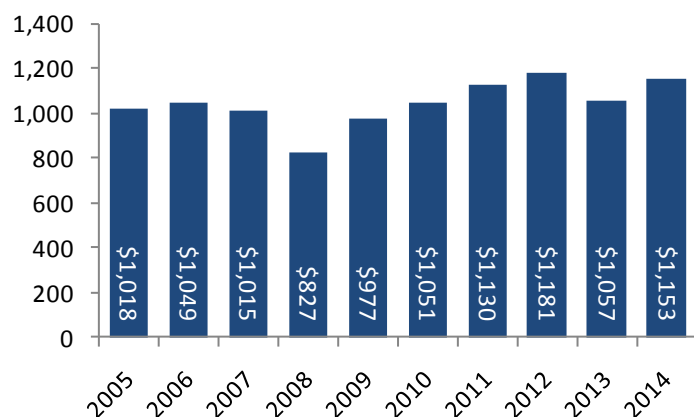
- **Going Concern status: 106.4%**
- **Solvency status: 81.1%**
- **Net assets: \$1.0 billion**
- **Pension obligations: \$1.2 billion**
- **Deficiency: \$0.1 billion**
- **Accounting status: 88.3%**
- **Total membership: 2,069**

Summary of Financial Position

(As at December 31, 2014)

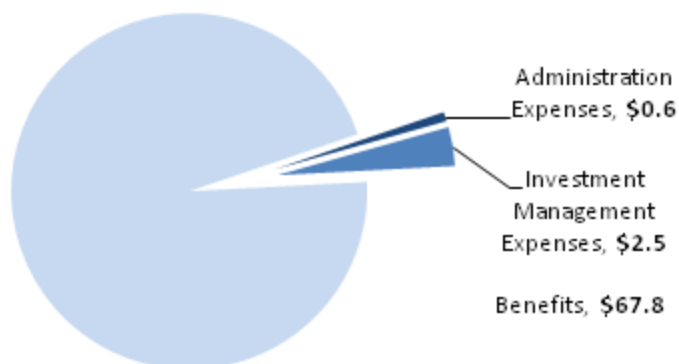
(\$ thousands)	2014	2013
Net assets available for benefits	1,017,398	983,601
Pension obligation	1,152,670	1,057,018
Deficiency	135,272	74,583

Plan Obligations



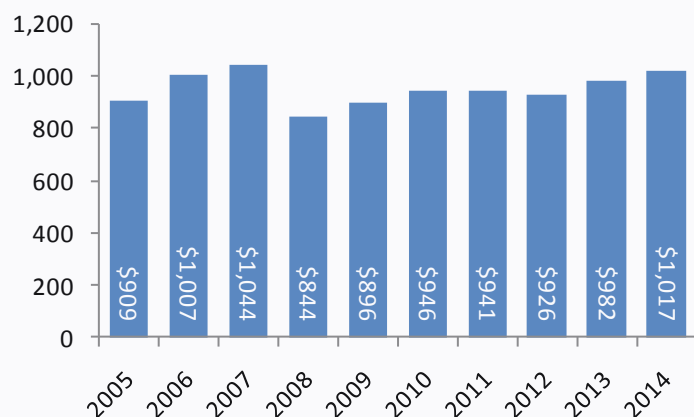
Plan Expenses

(millions)



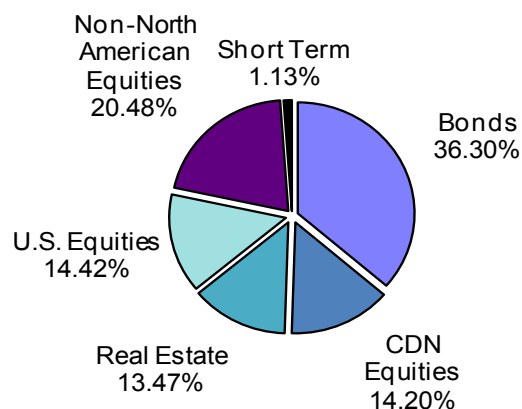
Plan Assets

(millions)



Administration and investment management costs: 0.31% of assets, down from 0.32% in 2013

Asset Mix



Investment Performance



Double digit total fund performance was achieved in 2014, the second consecutive annual period to reach that mark, with a 10.9% return.

Global equity markets were strong led by North America. U.S. equities, as measured by the S&P 500 Index, saw a 13.7% annual return in local currency, which further increased to 23.9% for Canadian investors as the Canadian dollar depreciated 10% versus the US dollar in the year.

Canadian equities, as

measured by the S&P/TSX Composite Index, returned 10.6%, as the sharp downturn in energy and materials in the latter part of the year reigned in the impact of outperforming consumer sectors, IT and health care.

Internationally, equity market returns were mixed, but positive overall, with the MSCI EAFE index returning 5.9% in local currency, and 3.9% in Canadian dollars. Emerging markets were volatile but positive at 6.6% for the year, as measured in Canadian dollars.

Bond markets saw declining yields which resulted in strong returns, particularly for longer dated bonds. The Plan's bond portfolio is customized to reflect the duration of the liabilities, which are relatively

long term, and returned 15.3% in the year.

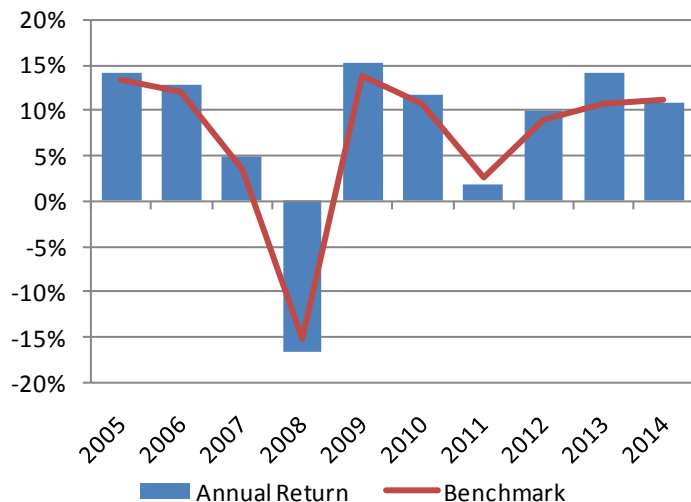
While the absolute return was strong in the year, the total fund trailed the benchmark by 0.2%, before deducting investment related fees. Active managers were mixed in their impact; Canadian equity, bond and real estate mandates tracked well against benchmark indices, while non-Canadian equity mandates lagged.

The 9.2% four-year total fund return was strong on an absolute basis, reflecting rising foreign equity and real estate markets, solid bond returns, as well as value added relative to the benchmark portfolio return of 8.7%. Asset mix and above index Canadian equities were the key value added drivers.

“Global equity markets were strong led by North America.”

Annual Returns

(1 year, trailing)



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

Since its inception in 1928, the SaskTel Pension Plan has earned over \$1 billion in investment income on \$127 million in employee contributions and \$367 million in employer contributions. That's over \$300,000 per retiree!

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Actuarial Report Summary



In 2014, the Board of Trustees filed an actuarial valuation for the Plan as of December 31, 2013 as required by *The Pension Benefits Regulations* 1993. The next valuation will be completed in 2017.

Going Concern

The valuation found that the Plan was in a surplus position using the going concern method of \$9.5 million at the end of 2013, down from a \$22 million surplus at the end of 2010, the previous valuation year.

Even though assets have performed better than expected in the previous 3 years, assumption changes regarding how long we are expected to live as well as the Board's decision to include a 10% "safety margin" against adverse outcomes combined to bring the surplus down.

Solvency

The solvency valuation at the end of 2013 was calculated to be a

deficit of \$155.7 million, an improvement from 2010's \$161.6 million deficit.

The main reason for the improvement was better than expected asset returns.

2014 Update

The Board receives interim valuations on a regular basis in order

to monitor the health of the plan.

As at December 31, 2014, the going concern valuation was estimated to be \$61 million, up from the \$9.5 million at the end of 2013. The solvency valuation worsened to a deficit of \$237 million at the end of 2014 from a deficit of \$155.7 million at the end of 2013.

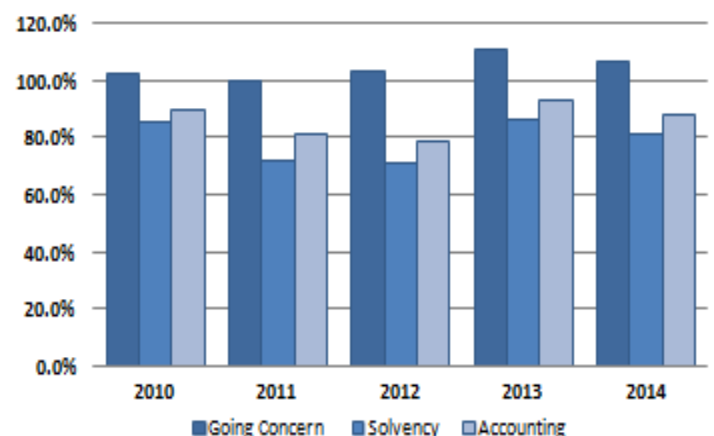
Summary of Valuation Measures

Surplus (Deficit) in millions

	2014 Estimate	2013 Valuation	2012 Estimate
Going Concern	\$ 61	\$ 10	\$ 37
Solvency	\$ (237)	\$ (156)	\$ (362)
Accounting	\$ (135)	\$ (75)	\$ (242)

Valuation Ratios

Assets over Liabilities



Significant Assumptions

- Investment return: 6.35%
- Pension increases: 2%

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 (investment returns, interest rates) and some are used to calculate the cost of current and future pension obligations. The actuary compares the assets to

the liabilities and determines whether the plan is properly funded. If not, contributions into the Plan would be required.

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. 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.

The Solvency method views the Plan as if it were to cease operations immediately and pay out lump sum payments to members. While this outcome is very remote, this method provides additional insight to the Trustees.

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 actuarial valuation is the most important gauge we have to measure the financial health of the plan.”

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.



SaskTel Pension Plan

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Established in 1928, the Saskatchewan Telecommunications Pension 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 5-person Board appointed by the Corporation and Union.