



Investment Choice

March 2010

There is a new phase in the history of Saskatchewan Pension Plan. Members now have investment choice. Members told the Board they like our Plan but want to have more options for investment. The introduction of the short-term fund (STF) is in direct response to member requests. This investment choice is available to members as of March 1, 2010. The following information will help to assist you with making the best investment decision for your personal circumstances.

Overview

Saskatchewan Pension Plan (SPP) offers its members two investment choices:

- Balanced Fund (BF) and
- Short-Term Fund (STF).

Members are permitted, **but not required**, to choose how to direct their contributions in the Plan's funds. The default fund is the Balanced fund – if a member does not give us directions, contributions are deposited to the BF. Since its inception in 1986, SPP has offered a single balanced fund for member investments.

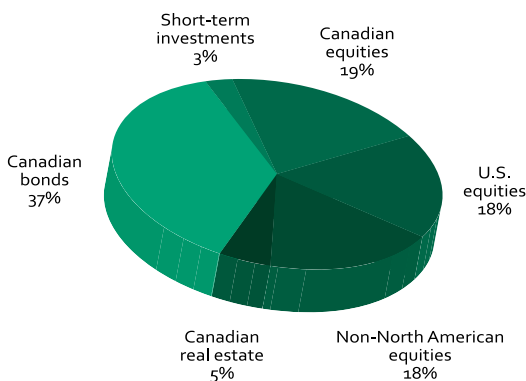
The addition of the second fund for investment (the STF) allows members, especially those close to retirement, to reduce their equity exposure and preserve their capital.

Balanced fund

From the beginning, the objective of the BF has been and continues to be capital accumulation – growing member accounts to provide income to members at retirement in a prudent, risk-controlled manner. The BF diversifies investments between several asset classes including bonds, equities, real estate and short-term investments. As a further diversification tool, the assets of this fund are divided between two investment managers.

Greystone Managed Investments Inc. and Leith Wheeler Investment Counsel Ltd. are responsible for day-to-day management of the BF. Investment results are reviewed quarterly by the Board of Trustees. The fund's management fee is targeted to be less than one per cent per year.

SPP's BF Benchmark portfolio



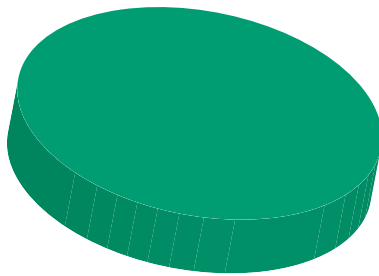
Assets (as a % of market value)	Minimum %	Benchmark %	Maximum %
Equities			
Canadian equities	14	19	24
U.S. equities	13	18	23
Non-North American equities	13	18	23
Foreign equities	26	36	46
Canadian real estate	3	5	8
Fixed Income			
Canadian bonds & mortgages	30	37	50
Short-term investments	0	3	10
Total Fund		100	

Short term fund

The objective of the STF is capital preservation; therefore, the money is invested in one asset class – Canadian money market instruments. The STF benchmark is the DEX 91-day T-bill Index. This fund operates on a cost-recovery basis.

STF returns will likely be lower than the BF as the objective is to preserve account balances rather than provide long-term growth. Greystone Managed Investments is the manager for this fund.

SPP's STF Benchmark portfolio



Short term investments,
100%

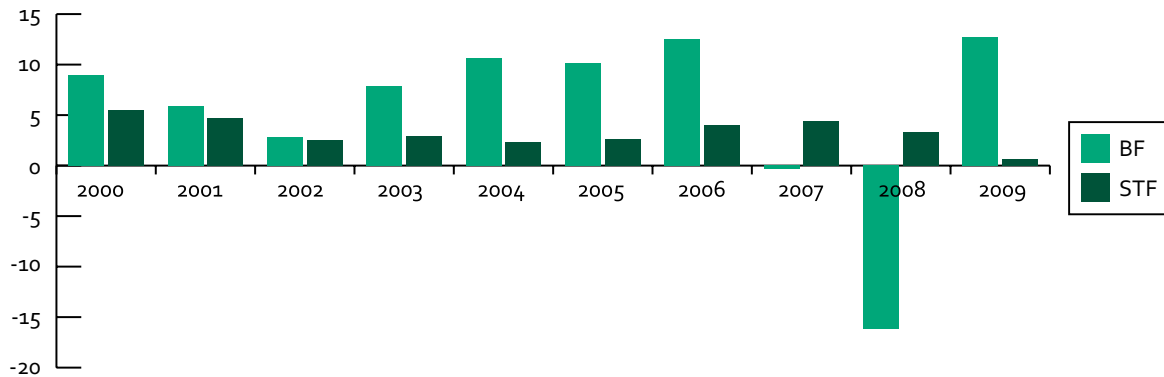
Assets (as a % of market value)	Minimum %	Benchmark %	Maximum %
Short-term investments	100	100	100

Growth potential comparisons

The following charts and graphs compare potential returns between the BF and STF based on SPP's actual return over the past 10 years.

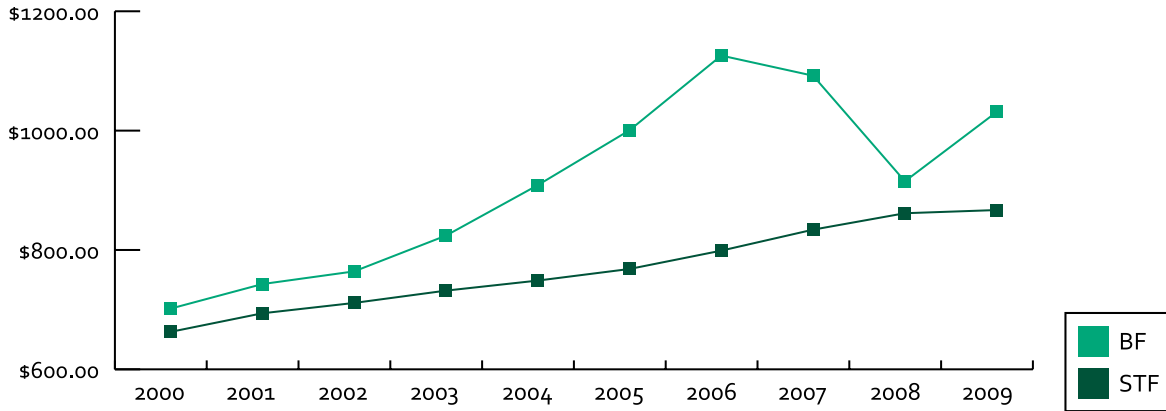
Rate of Return

Comparison of SPP BF return to Dex 91 day T-bill index over the past 10 years.



Investment Growth

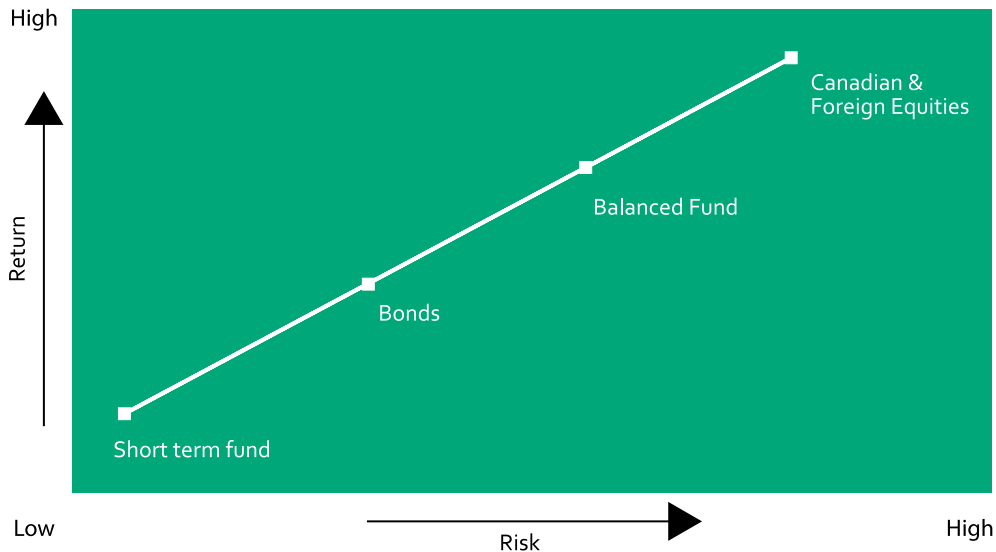
Comparison of the growth of \$600 in each fund over the past 10 years. SPP's actual return was used to calculate growth in BF and the DEX 91 day T-bill Index return was used to calculate growth in the STF.



Investment choice is not a one-time decision nor is it an all or nothing event. You could opt have a portion of your account in each fund. You are encouraged to evaluate your investment needs and risk tolerance regularly and adjust your investment as required.

Deciding where to invest

Every investment opportunity has some risk associated with it. The chart below illustrates the risk vs. return potential for various types of investments. Part of your investment choice decision is based on where your comfort level is on the risk/return graph.



SPP's BF will have more fluctuation in the returns on a monthly basis; however, over the long term it should provide superior returns. The STF will fluctuate less, but the long-term average return will likely be lower than the BF.

Which Fund Should You Choose?

To answer this question you have to gauge what level of risk you're willing to accept in a given investment. Factors that will influence this are going to include your investment goals and your retirement timeline. Here are some questions to answer when choosing between the Balanced Fund and the Short-Term Fund:

Balanced Fund

- Is my main investment goal to seek higher returns and build up the value of my account significantly?
- Do I prefer a mixed portfolio of stocks, bonds, and short-term investments?
- How long do I have until I retire?
- If my pension plan takes an unexpected loss, do I have enough time to recover from it before I retire?
- Am I comfortable with risk in my portfolio?
- Can I tolerate a moderate short-term loss and remain focussed on my long-term goals?

"I'm a long-term investor who can comfortably tolerate a moderate level of risk and can accept a short-term loss along the road to long-term gains. My goal is to steadily increase my account balance through consistently investing in a balanced portfolio over a long period of time."

Short-Term Fund

- Is my main investment goal to make sure I preserve the money I already have in my account?
- Am I willing to pursue a smaller return in exchange for less investment risk?
- How long do I have until I retire?
- If my pension plan takes an unexpected loss, do I have only a short amount of time to recover from it before I retire?
- Do I need more certainty in my portfolio?
- Will a moderate short-term loss seriously jeopardize my future plans?

"I'm a short-term investor who can willingly trade the opportunity for higher earnings for a less risky investment. My goal is to guard my money and keep my account intact. I am less concerned about earning a high rate of return."

It's a good practice to re-visit these questions periodically to monitor your investments. Doing this will ensure that you're still matched with the correct fund. If any of your answers to these questions change, consider whether you want to remain in the fund, or whether a switch would be more suitable. You may wish to seek the guidance of a financial professional for assistance in making your decisions.

Fund quick facts		
	Balanced fund	Short-term fund
Objective	Long-term growth	Preservation of capital
Risk	Higher return/more volatile	Low return/less volatile
Performance benchmark	S&P Capped composite index (Cdn. Equities) 19% S&P 500 index (U.S. equities) 18% MSCI EAFE index (NNA equities) 18% Investment property databank (Cdn. real estate) 5% DEX Universe bond index (Bonds & mortgages) 37% DEX 91-day T-bills (Short-term) 3%	DEX 91-day T-bill Index (Short-term) 100%
Performance objective	Earn a rate of return that exceeds the benchmark return gross of fees	Earn a rate of return that exceeds the benchmark return gross of fees
Investment managers	Greystone Managed Investments Inc. Leith Wheeler Investment Counsel Ltd.	Greystone Managed Investments Inc.
Who should invest	Members who seek long-term growth with moderate volatility through diversification across different asset classes	Members who want to minimize market risk and preserve capital, but not recommended as a long-term investment

How to transfer existing funds or direct future contribution.

If you wish to proceed with an inter-fund transfer, you will need to complete the Transfer and investment instructions form available from SPP's website or by calling the toll-free line. As of June 1, 2010 you will also be able to direct future contributions to the STF.

Your transfer instructions must be received by SPP in writing four (4) business days before the end of the month. Requests received after the monthly deadline will be processed on the next available transfer date. Fax copies of the transfer instructions will not be accepted. Your first two transfers in the calendar year are free. Subsequent transfers in the year will be subject to a \$50 fee. The minimum transfer amount is \$500.

Conclusion

Both the Balanced fund and the Short-term fund are well-diversified and well-managed. Our goal, now more than ever, is to continue to strive for maximizing investor returns while avoiding unnecessary risks. These investment choices demonstrate our commitment.

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