

Contributions

The Saskatchewan Pension Plan Newsletter

Investment Highlights

All equity markets enjoyed positive returns in the second half of the year which resulted in solid gains for 2006. Bond markets also rallied strongly in the second half of the year and contributed to the Contribution Fund's strong return. SPP's year end return was 12.5 per cent compared to a benchmark of 11.5 percent.

Canadian Equities

The S&P/TSX Composite Index returned 17.3 per cent in the year, the fourth straight year of double digit returns. Most of the positive returns came in the first and fourth quarters with the middle six months seeing a weakness in oil, natural gas and base metals. The strongest performing sector was Materials, followed by Information Technology. The Energy sector, the driver of the Canadian equity market in 2005 ended with year in eighth place (out of ten sectors). Although oil prices hit record highs in July, they were at a seventeen month low by late November. Dividend payers were in favour as interest rates fell, especially after the Canadian government changed the tax treatment of income trusts. However, income trusts were underperforming even before the federal Finance Minister's announcement due to their heavy exposure to the oil and gas industries. Saskatchewan Pension Plan's (SPP) Canadian equity portfolio returned 20.7 per cent for the year.

The rates of return used in this article exclude fees to allow valid comparison to benchmarks.

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TOP 10 HOLDINGS			
	Canadian Equities	US Equities	Non-North American Equities
1	Manulife Financial	Citigroup	Total SA
2	Royal Bank of Canada	Berkshire Hathaway	Nestle SA
3	Bank of Nova Scotia	Pfizer Inc	Novartis AG
4	Toronto Dominion Bank	Markel Corp	Cash - CA
5	Shoppers Drug Mart	Gannett Co	Anglo American PLC
6	Finning International	Microsoft	Allied Irish Banks
7	Rogers Communications	Merck	Petroleo Brasileiro SA
8	Encana Corporation	Home Depot	Royal Bank Scot Group
9	Canadian National Railway	American Int'l Group	Lloyds TSB Group
10	CIBC	Merrill Lynch	CRH

SPP Beneficiaries

Everyone must name a beneficiary when they become a member of SPP. An SPP beneficiary is a person(s) or organization who will receive the SPP account balance at the member's death. When choosing a beneficiary it is important to consider how that choice fits with the overall estate plan and what tax implications a payment may have for the beneficiary.

SPP can pay out death benefits to a beneficiary in three different ways. The option explained in this newsletter is the Lump Sum or cash payout. The beneficiary will receive a cheque for the balance of the account, less withholding tax. Canada Revenue Agency (CRA)

Account Balance	Tax Rate
\$5,000 or less	10%
\$5,001 to \$15,000	20%
More than \$15,000	30%

requires withholding tax to be submitted by SPP on behalf of the beneficiary. The tax rate schedule is shown in the table above. The beneficiary must claim the full payment as income in the year in which it is received and will be issued a T4A by SPP.

If you name your spouse as beneficiary there are transfer options available for the death benefits. These options will be outlined in the May and October newsletters. If you have any questions about your beneficiary in the meantime, please call SPP. ❖



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U.S. Equities

The S&P 500 returned 15.8 per cent in US\$ or 15.4 per cent in C\$. After hitting 28-year highs in the first half of 2006, the loonie fell in the second quarter to end the year flat at 85.9 cents. Currency, for the first time in a while, had an insignificant impact on returns. U.S. markets enjoyed a strong 2006 with upbeat earnings reports and low energy prices pushing the Dow to record highs. All ten sectors posted positive returns for the year with Telecom being the top performer and Health Care the worst. After seventeen consecutive quarter-point increases in interest rates, the Federal Reserve left rates on hold in July at 5.25 percent. SPP's U.S. equity portfolio returned 16.0 per cent for the year.

Non-North American Equities

Non-North American equities, measured by the MSCI EAFE Index, soared 25.9 per cent in Canadian dollars and 16.5 per cent in local currency terms. The positive returns were broad based as all countries and sectors in the Index were positive.

All currencies in the

Index appreciated versus the Canadian dollar except for the Japanese yen and the Hong Kong dollar and all sectors in the Index achieved double-digit returns in the year. SPP's non-North American equity portfolio returned 28.7 per cent for the year.

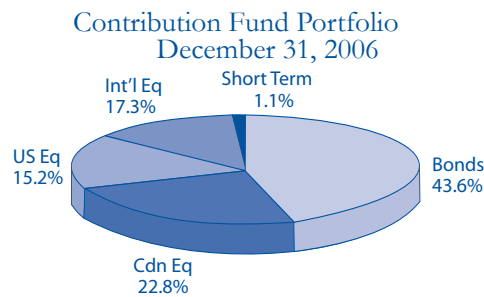
Fixed Income

The Canadian bond market, as measured by the Scotia Capital Universe Bond Index, gained 4.1 per cent in 2006. After raising interest rates in their first four sessions of the year, both the Bank of Canada and the U.S. Federal Reserve halted hikes in the last four sessions. The overnight rate in Canada ended the year at 4.25 per cent while the key rate in the U.S. finished at 5.25 per cent. Commodity prices began coming down late in the summer, reducing investor fears of inflation. The bond market responded very favorably to this development. However, the fixed income market slowed tremendously relative to the equity market. SPP's bond portfolio earned 4.5 per cent.

Total assets in the contribution fund were \$190.4 million at year end. Further information on investments can be obtained from the Plan office.

Contribution Fund Benchmark Change

The Board of Trustees reviews the Contribution Fund Investment Policy on an annual basis and has amended the benchmark for equities from 50 per cent to 55 per cent as of January 1, 2007. The change is in response to the removal of the 30 per cent foreign content limit. It may result in somewhat higher volatility in the fund's annual returns and is expected to produce a slight increase in the fund's average return over the long term. ❖



Annual Statements

Included with this newsletter is your 2006 Member Annual Statement. This Annual Statement provides you with a summary of contributions and interest to December 31, 2006. Please review your name, mailing address and beneficiary information. If any of this information is incorrect or if you need to report a change, you should contact SPP.

Address Updates

- Log on to www.expressaddress.com to update your address with SPP and other agencies.
- Call the toll-free line at 1-800-667-7153. Address updates can only be accepted from the member unless written authorization is on file.
- Mail your address change to Box 5555 Kindersley SK S0L 1S0.
- E-mail us at info@saskpension.com.
- Fax your address change to 306-463-3500.

Beneficiary Updates

- Complete the Designation of Beneficiary form found on Page 4 of this newsletter; or
- Download the Designation of Beneficiary Form from www.saskpension.com. ❖

To contact SPP:

Toll-free	1-800-667-7153
Fax	1-306-463-3500
TTY	1-888-213-1311
Mail	Box 5555 Kindersley SK S0L 1S0
E-mail	info@saskpension.com
Web site	www.saskpension.com

Administration Expenses

Administration expenses in 2006 were \$2.03 million, or 0.77 per cent of the Funds' net asset base. These costs are paid from the Plan earnings. SPP's expense ratio is competitive with the market place as many mutual fund fees range from 1 per cent to 2.5 per cent or higher. SPP continues its focus on providing efficient service at a reasonable cost.

The chart above shows a synopsis of Plan administrative expenses for the past two years. ❖

SPP Administrative Expenses		
	2006	2005
Personnel	\$694,031	\$638,355
Professional Services	645,578	627,109
Advertising	304,534	266,804
General Administration	192,520	197,055
Computer Expenses	160,684	163,036
Board	35,300	34,693
Total	\$2,032,647	\$1,927,052

Small Business Pension Plan

Saskatchewan Pension Plan's strategy is to reach new markets and in 2006 added staff to focus on small business pension plans. While working with businesses, non-profit and community organizations, SPP is raising awareness about its availability to businesses and organizations as a way to enhance their benefits package.

During 2006 the Plan worked with a wide variety of businesses and industries to promote the importance of saving for retirement. Some of the key areas of focus were the trucking industry, daycare centers, rural businesses and artists. By traveling through the province and meeting with people, SPP staff are encouraging businesses and organizations to take a proactive approach to attracting and retaining employees.

The SPP Employer Plan is designed to work for all types of businesses. Contributions can be made at any time, in any amount up to \$600 per year. Employer's can contribute on behalf of employees, or simply offer the plan for employees to contribute on their own through payroll deduction. There is also the option of employers matching their employee's contributions. One of the most attractive attributes of the Employer Plan is the low cost and minimal administration. Small business owners are extremely busy with the operation and maintenance of their business and are not looking for additional work so the SPP employer plan is a good fit. For further information about the Saskatchewan Pension Plan, Employer Plan, contact Linda at 1-800-667-7153 or email her at info@saskpension.com. ❖

Pre-Authorized Contributions

Two pre-authorized options are available for SPP members to make a contribution.

PAC

The Pre-Authorized Contribution (PAC) is made electronically through your bank account. Simply complete the appropriate application and mail it along with a void cheque to SPP.

PCC

The Pre-Authorized Credit Card (PCC) contribution is processed on your credit card. To take advantage of this method simply complete the application which includes your credit card information.

Either option can choose from the 1st or 15th of the month on a bi-monthly, monthly, semi-annual or annual schedule.

Changes to existing arrangements must be made in writing by the member. The new information can be mailed, faxed or e-mailed to SPP. ❖

The SPP 'Contributions' Newsletter is issued once per year to provide members with general information about current issues affecting SPP.

If any discrepancy arises between the information contained in this newsletter and the Act, the Act will prevail.

