Saskatchewan Pension Plan

Annual Report 2003

For the Year Ended December 31, 2003

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Saskatchewan Pension Plan
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Letters of Transmittal

Her Honour
The Honourable Dr. Lynda Haverstock
Lieutenant Governor,
Province of Saskatchewan

Your Honour:

I have the honour to submit the Annual Report of the Saskatchewan Pension Plan for the year ending December 31, 2003.

Respectfully submitted,

SIGNED

Harry Van Mulligen
Minister Responsible
Saskatchewan Pension Plan

The Honourable Harry Van Mulligen
Minister Responsible
Saskatchewan Pension Plan

Sir:

On behalf of the Board of Trustees for the Saskatchewan Pension Plan, I have the honour to present the Annual Report for the Saskatchewan Pension Plan for the year ending December 31, 2003.

Respectfully submitted,

SIGNED

Katherine Strutt
General Manager
Saskatchewan Pension Plan

Corporate Philosophy

Our Mission

Provide people with the opportunities to make their financial lives better.

Our Vision

The plan that people know and trust to provide financial products and services.

Our Values

Member Service

- Understanding member needs and meeting or exceeding their expectations
- Keeping member issues and inquiries our priority
- Managing our resources wisely, with a vision committed to long term growth and stability

Integrity

- Dealing fairly with employees, co-workers, members, and the general public

Initiative

- Encouraging creativity
- Learning and self development
- Planning and executing new approaches and methods

Teamwork

- Accepting diversity and difference
- Cooperating to accomplish common goals

Strategic Direction

"...strategic planning is a process rather than an event."

The Saskatchewan Pension Plan (SPP) Board and Management are continually monitoring the Plan's external environment, core competencies, and input from Plan members to determine the Plan's future direction. At SPP, strategic planning is a process rather than an event. The focus of future plans is to support our mission - 'Provide people with the opportunities to make their financial lives better'.

SPP's goals have been consistent during the past three years. These goals are: to increase Plan membership; to increase Plan assets; and to manage the business effectively and efficiently. These goals are interdependent on one another. Plan membership grows when investments produce strong returns and when the expense ratio is kept on target. Positive results in these areas promote trust and loyalty between the Plan, its members, and the public. As a financial institution operating in difficult economic times and in a highly competitive environment, SPP has worked hard to achieve its goals. These achievements benefit SPP and its members.

Progress in 2003

Goal 1: Growth of SPP membership

SPP wants more people and younger people to participate in the Plan. These people will enable the achievement of Goal 2 and help ensure long term viablity of the Plan. A concentrated effort to recruit employers to SPP in 2003 resulted in almost a 50% increase in the number of employers involved with SPP. The average age of the 640 new members joining during the year was 39 years.

Goal 2: Growth of SPP Assets

Actual contributions received from members during the year totalled $4.9 million. This is slightly below 2002 contribution levels. Economic challenges for Plan members and low market returns made increasing the contribution levels difficult.

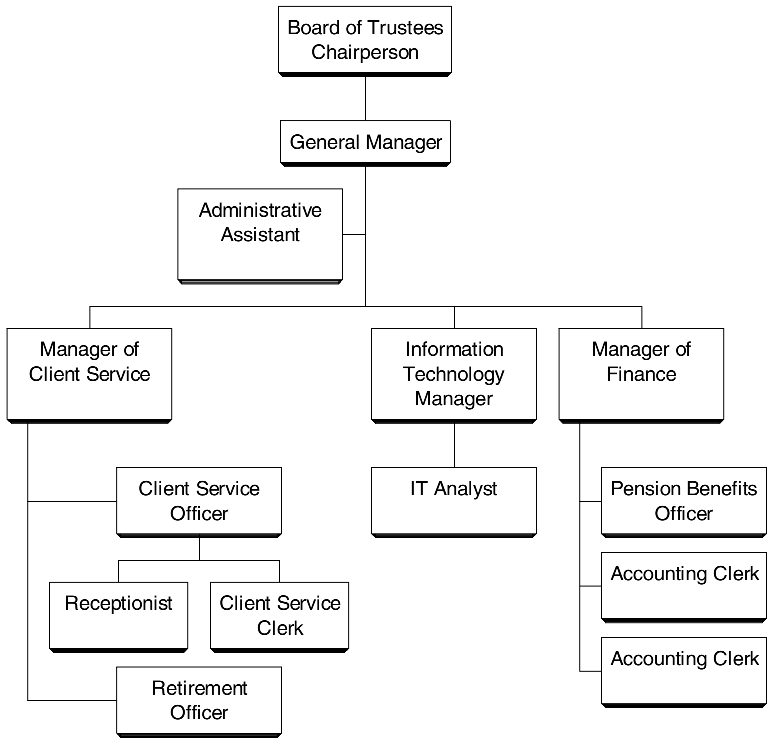
Providing superior customer service will assist with growing membership and assets. To help achieve this goal, SPP developed service standards as part of its governance structure during 2003.

Goal 3: Manage SPP's business effectively and efficiently

SPP is committed to maintaining an expense ratio of 1% or less. During 2003 the ratio was 0.9%. Completion of a Board governance manual and service standards during 2003 will continue to help the Plan achieve this goal in the years ahead.

These goals will remain the same for 2004.

Organization Chart



Plan Statistics

Membership profile

Status	%
Active	63
Retired	37

Sex	%
Female	75
Male	25

Occupation	%
Homemaker	29
Farmer	11
Self employed	10
Full time	16
Part time	26
Student	3
Other	5

Age	%
18-25	2
26-34	5
35-49	23
50-65	34
Over 65	36

New Member Profile

- 73% identify themselves as full-time, part time or self employed.
- Average age of new members in 2003 was 39 years.
- 56% of the new members were women.

Retirement Profile

- Over 624 members retired in 2003.
- Average monthly pension for new retirees was $82.71.
- Highest monthly pension is $191.93
- Over 11,000 people receive pension from SPP.

Plan Operations

SPP is a voluntary, money purchase plan available to anyone between 18 and 69 years of age. Eligibility is not dependent on residency, income, employment status, gender or membership in other plans. SPP members are full time employees, part time employees, self employed people, homemakers, farmers, and students. At December 31, 2003, SPP had 29,705 members.

SPP has promotional literature available for individuals who wish to obtain more detailed Plan information. This literature can be obtained by:

- calling the toll-free line at 1-800-667-7153;
- visiting the Plan's website at www.spp.gov.sk.ca; or
- by e-mailing the Plan at: office@spp.gov.sk.ca.

Features of SPP

The Plan is designed for flexibility so that members can make it fit their life situation and budget. The main features of SPP are:

- Voluntary - no obligation to contribute;
- Flexible - payment at any time during the Plan year;
- Portable - people can join and contribute to the Plan regardless of where they reside; and
- Professionally managed investments.

Members and the public use the toll-free inquiry line to contact SPP. In 2003 the toll-free line received over 11,000 calls which is slightly ahead of 2002 levels.

Contributing to SPP

SPP has an annual maximum contribution of $600 and there is no minimum contribution. Contributions are tax deductible by the member or their spouse within RRSP guidelines. During 2003, 8,365 members contributed to SPP with an average contribution of $584 (2002: 8,365; $586).

Members like the easy payment options available at SPP. They can use the Pre-Authorized Contribution (PAC) system; mail contributions to the Plan; use their Visa or Mastercard by phone, in person, or on SPP's web site; use the telebanking service available at their financial institutions; or contribute, in person, at financial institutions.

Contributions are locked-in and vested and are used to provide the member with a pension at retirement. Contributions are creditor protected and cannot be seized, claimed, or garnisheed in any way except by a court order under a marital division or Enforcement of Maintenance Order.

Assets of members who have not yet retired are held in the Contribution Fund, an actively managed, balanced fund. The fund is managed by Greystone Managed Investments Inc. of Regina, a growth style manager, and Leith Wheeler Investment Counsel Ltd. of Vancouver, a value style manager. The purpose of the fund is to provide members with long term growth. The Plan balances the need for capital growth of younger members and the desire for capital preservation of older members with a mix of equities and fixed income investments. More information on the fund is found in the Investment Highlight section (page 11) and the Investment Policy Summary (page 14).

Employer Plan

SPP offers a unique opportunity to business owners and their employees. Employers can use SPP to offer the benefit of a pension plan to their employees without incurring the costs of administering a pension plan. Employers simply deduct the contributions from their payroll and submit them to SPP on whatever schedule they choose. Employers may also contribute on behalf of their employees. There is significant room for growth in this area and SPP is actively pursuing marketing efforts here.

Plan Operations

Retiring from SPP

Plan members can choose to retire from SPP between the ages of 55 and 69. At the time of retirement, members may direct all or part of their account to purchase an annuity from SPP or transfer their account to a locked-in retirement account or prescribed registered retirement income fund with another financial institution. SPP also offers a small pension payout option for members whose monthly benefit is less than the prescribed amount. In 2003, pensions under $16.63 per month qualified for this option.

Each annuity the Plan offers will pay the member monthly benefits for the rest of his or her life with possible payments to a beneficiary or survivor after the member's death. Annuity payments are determined by the member's account balance, age at retirement, and interest and annuity rates in effect.

When members retire from SPP and choose an annuity from SPP, their funds are transferred from the Contribution Fund to the Annuity Fund. The Annuity Fund is managed by Greystone Managed Investments Inc. of Regina and invests in high quality long-term, fixed income investments.

Administration

SPP is administered by a Board of Trustees, one-third of whom must also be members. The Board acts as trustee of the fund and administers the Plan in accordance with *The Saskatchewan Pension Plan Act* and Regulations and Board policies.

SPP Board of Trustees
From left to right: Esther Bjorklund, Arnie Arnott, Bob Devrome, Earl Hanson, and Gloria Blanchard.

Board members are appointed by Order-in-Council and serve staggered two year terms. The Chair is Earl Hanson; Board members are Arnie Arnott (Plan member), Esther Bjorklund (Plan member), Gloria Blanchard, and Bob Devrome. SPP would like to recognize the contribution of Honey Deglau who served on the Board from 1997 to 2003.

Responsibility for the daily administration of the Plan is delegated to the General Manager. In addition, the Board employs a number of consultants and specialists to assist them with managing member funds. These include:

- professional money managers, Greystone Managed Investments Inc. and Leith Wheeler Investment Counsel Ltd., who are responsible for investing member funds according to the Board's investment policies;
- a custodian, RBC Global Services, who holds all securities and cash in the funds and reports independently to the Board, thereby ensuring all funds are safeguarded; and
- a pension consultant, James P. Marshall, a Hewitt Company, who assists the Board in monitoring the performance of the investment managers.

Administrative expenses are paid from Plan earnings and SPP focuses on providing efficient service at a reasonable cost. Administrative expenses in 2003 were $1.8 million, or 0.9% of the fund's net asset base.

Privacy

Privacy of Plan and member information has always been important to SPP. The Plan only collects the personal information necessary to run the program. The general rule of SPP's internal privacy policy stipulates that personal information can only be disclosed to the member or his/her authorized representative.

The Freedom of Information and Protection of Privacy Act was enacted in 1992 and is the major piece of provincial legislation governing privacy. In addition to complying with this legislation, SPP is also complying with the Overarching Personal Information Privacy Framework for Executive Government. Questions about privacy should be directed to the Plan's Privacy Officer.

Investment Highlights

Index Definitions	
S & P/ TSX 300	Toronto Stock Exchange Index
S & P 500	Standard & Poors 500 US Stocks
MSCI EAFE	Morgan Stanley Europe, Australia and Far East Index
SCUBI	Scotia Capital Universe Bond Index

Overview

Equity markets began 2003 on a negative note. Investors were afraid that the world economy could follow Japan's lead into deflation, while the outbreak of war in Iraq further undermined confidence. However, by the end of the year investor confidence had grown and a global recovery began to build. As a result, after three consecutive years of painful negative returns, two in Canada, global stock markets mounted substantial comebacks in 2003. The gains came despite sputtering economic indicators, more corporate scandals, and another Iraqi war.

A sustained rally in global stock markets followed the end of major hostilities in Iraq in the spring 2003. Improving economic conditions in Canada and abroad as well as dramatically better corporate profitability supported higher stock prices. Investors recovered quickly from a variety of startling regional events including fires, floods, blackouts, and disease. US equities did not perform as well because of the weak US dollar versus the Canadian dollar which lowered the US equity return from a Canadian perspective. The impact was lessened in international equities as the currency story was primarily one of US dollar weakness while most other currencies strengthened alongside Canada. Bonds were supported by a slight decline in interest rates against a backdrop of stable monetary policy and little concern over inflation.

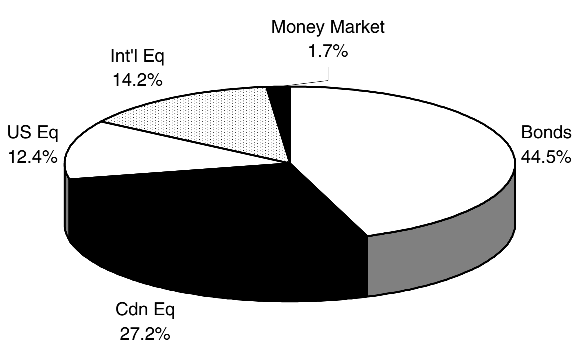
While the improvement in the fortunes of the global economy and the sharp turnaround in corporate profits have boosted the markets, it is uncertain whether the recovery can be sustained. Investors' main concern is that the world economy remains in much the same shape as it was before the slump and is still dependent on the US consumer. The US economy remains the engine of global growth. Consequently, the global economy remains vulnerable should the US economy stumble.

Canadian Equities

	S&P/TSX 300 Weight Dec. 31, 2003 (%)	Sector Return (%)	Portfolio Weight Dec. 31, 2003 (%)
Information Technology	6.5	67.1	2.5
Financials	31.2	28.0	35.7
Materials	17.6	27.6	7.9
S&P/TSX 300		**26.7**	
Energy	14.3	25.0	16.5
Utilities	4.4	24.9	4.3
Industrials	7.5	22.6	17.0
Consumer Discretionary	6.9	21.6	4.3
Consumer Staples	4.3	20.2	10.3
Telecom Services	5.2	16.8	0.3
Health Care	2.1	1.4	1.2
Total	100.0		100.0

Despite a number of natural disasters, outbreaks of SARS, and mad-cow disease, the Canadian equity market saw its first annual positive return in three years. A bend-but-don't-break economy aided by high commodity prices and rising corporate profits pushed markets higher. Over the past 12 months, only three sectors managed to outpace the Index return. However, eight of the ten sectors had returns greater than 20%, illustrating the broad-based market gains. Information Technology stocks continued to rally from lows in 2002 on increased product demand. SPP's Canadian equity portfolio returned 26.5% compared to the S&P/TSX Composite Index return of 26.7%. The chart above shows the sector and portfolio breakdown for Canadian equities. Similar information is provided for each asset class.

Contribution Fund Portfolio at December 31, 2003



Investment Highlights

2003 Market Returns		
	Index Return %	SPP Return %
S & P/TSX 300	26.7	26.5
S & P 500 US Eq. (C$)	5.3	7.6
MSCI EAFE Non NA Eq. (C$)	13.4	11.2
SC UBI	6.7	7.1

US Equities

The US largely fueled the global economic revival. The Federal Reserve did not increase interest rates and there was a $350 billion economic stimulus package from the Bush administration. This boosted cash flows of companies and consumers alike. However, the Canadian dollar appreciated 22% versus the US dollar in 2003 and this detracted from investment returns. The S&P 500 Index returned 28.7% US$ but only 5.3% when converted to Canadian dollars. Similar to the Canadian equity market, the Information Technology sector led the broad US market for the year. In US dollars, all sectors had positive returns. Climbing corporate profits, increased consumer confidence, tax incentives and historically low interest rates, all propped up US equity markets. These events overshadowed regulatory investigations of some large mutual fund managers and the ongoing threat of terrorism. SPP's US equity portfolio earned 7.6%.

	S&P 500 Weight Dec. 31, 2003 (%)	Sector Return (C$) (%)	Portfolio Weight Dec. 31, 2003 (%)
Information Technology	17.7	19.9	10.2
Consumer Discretionary	11.3	11.3	23.3
Materials	3.0	10.2	5.4
Industrials	10.9	6.1	15.6
S&P 500		**5.3**	
Financials	20.7	4.6	19.7
Energy	5.8	0.1	8.7
Utilities	2.8	-0.9	-
Health Care	13.3	-7.3	12.5
Consumer Staples	11.0	-10.7	3.8
Telecom Services	3.5	-15.5	0.8
Total	100.0		100.0

Non-North American Equities

Non-North American equities, measured by the MSCI EAFE Index, were up 20.3% for the year in local currencies and 13.4% when converted to Canadian dollars. This is also the first positive return in three years. Regionally, the Pacific region, excluding Japan, fared best. Japan lagged the EAFE Index but posted its first positive annual return since 1999. Strong returns from Germany, Spain and France pushed Europe, excluding the United Kingdom, above the EAFE Index. The United Kingdom and the Netherlands were the weakest performers in the European region for the year. The Information Technology sector was also a strong global performer. SPP's Non-North American equity portfolio earned 11.2%.

Country	EAFE Weight Dec. 31, 2003 (%)	EAFE Return (C$) (%)	Portfolio Weight Dec. 31, 2003 (%)
Greece	0.4	38.7	0.6
Sweden	2.3	34.6	-
Germany	7.2	34.0	3.9
Spain	3.7	29.6	1.3
Austria	0.2	28.4	-
New Zealand	0.2	27.2	-
Australia	5.0	22.3	0.8
Denmark	0.7	22.1	0.3
Norway	0.5	21.1	-
Ireland	0.7	17.7	4.0
Portugal	0.4	17.5	-
France	9.9	14.7	8.9
EAFE		**13.4**	
Hong Kong	1.6	13.0	4.8
Italy	3.9	12.7	2.9
Singapore	0.8	12.5	1.2
Japan	21.4	11.2	16.2
Belgium	1.0	10.7	-
Switzerland	7.4	9.7	11.6
United Kingdom	25.8	8.0	25.8
Netherlands	5.2	4.7	7.2
Finland	1.7	-2.4	1.2
Emerging Markets	-	-	7.6
Cash	-	-	1.7
Total	100.0		100.0

Investment Highlights

Members of the CF earned 7.8% in 2003. This fund has a ten-year annualized return of 8.9%.

Fixed Income

	SC UBI Weight Dec. 31, 2003 (%)	SC UBI Return (%)	Portfolio Weight Dec. 31, 2003 (%)
Federal	46.7	5.7	53.3
Provincial	24.5	6.8	21.3
Corporate	27.5	8.5	23.8
Municipal	1.3	6.6	1.6
SC UBI		**6.7**	
Total	100.0		100.0

The Canadian bond market, as measured by the Scotia Capital Universe Bond Index (SC UBI), returned 6.7% for the year. This was the smallest advance in four years. The Bank of Canada cut the interest rate twice in the year, finishing the year at 2.75% compared to 1% in the US. Over the year, yields fell across all bond maturities, with long term bonds declining the most. Corporate bonds outperformed both federal and provincial bonds in the year. High yield, or non-investment grade bonds, continued to benefit from increased market confidence and finished the year up 14.8%. SPP's bond portfolio earned 7.1%.

Net assets in the contribution fund were $149.5 million at year end, an increase of 8.6% over the previous year.

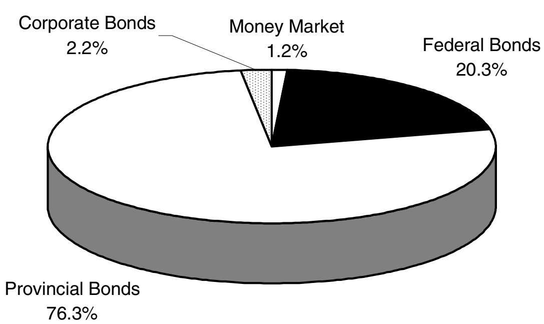
SPP's income allocation policy was amended in 2003. In previous years, the income allocation policy smoothed the Fund's market performance by blending the current year's market gains and losses with a portion of those from the preceding three years. The purpose of the smoothing provision was to even out the volatility of market rates of return, thereby providing members with more stable rates of returns. It also lessened the chances of a negative return in years, such as the past three, when markets performed poorly.

The amended policy will allocate 100% of the market rate of return, less operating expenses, to members. The Board continues to manage risk to the Fund through diversification of the portfolio: the investment policy maintains a 50-50 split between equities and fixed income investments; the Board employs both growth and value managers in order to have diversification of style; and the Fund maintains a global exposure to equities. These practices have the effect of reducing the volatility of the fund. The market return for 2003, after taking into account all gains and losses carried forward from previous years, was 7.8%.

Annuity Fund

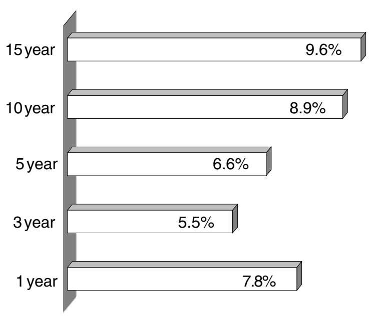
Assets of retired members are held in the Annuity Fund (AF). Unlike the CF, this Fund does not hold any equities as investments. This Fund is used to make pension payments to retired members and the portfolio is structured in such a way that assets and liabilities are matched. Total assets of the fund at December 31, 2003 were $62.3 million and there was an actuarial surplus of $3.4 million at that same date. Members continued to face low annuity rates in the year, ranging between 3.7% and 4.2%. The chart on the left shows the composition of the AF assets as at December 31, 2003.

Annuity Fund Portfolio at December 31, 2003



Investment Policy Summary

Historical Investment Performance



SPP has established two funds to hold the assets of the Plan: the Contribution Fund and Annuity Fund. The investments must be eligible investments as outlined in *The Pension Benefits Act* and Regulations, the *Income Tax Act* and Regulations, and all subsequent amendments.

The Board of Trustees establishes the Investment Policy and reviews the performance of the funds on a quarterly basis. The Investment Policy is open to review at any time but must be reviewed at least annually by the Board.

Contribution Fund

The Contribution Fund holds assets of members who have not yet retired. The assets are accumulated under a defined contribution or money purchase arrangement. The purpose of the fund is to accumulate the assets of members and invest these assets in a prudent, risk-controlled manner to provide for long-term growth. The Plan balances the need for capital growth of younger members with the desire for capital preservation of older members with a mix of equities and fixed income investments.

In order to achieve the long term investment goals, the fund invests in assets that may have uncertain returns, such as Canadian equities, foreign equities and bonds. However, the Board of Trustees attempts to reduce the overall level of risk by:

- diversifying the asset classes, diversifying within each individual asset class and diversifying by manager style;
- establishing quality, quantity and diversification guidelines;
- retaining an investment consultant who monitors the investment performance of the fund and reports to the Board on investment manager related issues that may have an impact on fund performance;
- having management conduct monthly reviews of compliance of each investment manager with the quality and quantity guidelines contained in the policy;
- reviewing quarterly reports from investment managers on compliance with the Investment Policy throughout the reporting period; and
- the Board has established the following investment benchmarks and asset component ranges at market value:

	Minimum %	Benchmark	Maximum %
Canadian Equities	10	22	40
Foreign equities*	10	28	40
Total equities	**30**	**50**	**60**
Canadian bonds	30	47	60
Short term investments and cash	1	3	30

Mortgages, real estate, private placement equities, and certain other types of investments require prior approval of the Board of Trustees.

*Not to exceed the Income Tax limit of 30% of book value.

The primary investment performance objective is to earn a rate of return that exceeds the rate of return earned on a benchmark portfolio as outlined above. The benchmark portfolio uses the following indices to measure performance:

- Canadian equities: S & P/TSX CPMS Cap 10 Index;
- U.S. equities: S & P 500 US Stock Index (Cdn $);
- Non North American equities: MSCI EAFE Index (Cdn $);
- Bonds: SC Universe Bond Index; and
- Short term investments: 91 day Canadian Treasury Bills.

Investment Policy Summary

Canadian and foreign equities are permitted. Equities are limited to those that are publicly traded on a recognized securities market and units of international pooled funds. No one equity holding shall represent more than 10% of the market value of the equity portfolio or more than 10% of the voting shares of any corporation. Investments in pooled funds should not exceed 10% of the market value of the fund.

Bonds must meet a minimum quality standard of “BBB” or equivalent at the time of purchase. “BBB” bonds may not be purchased if it would raise “BBB” holdings to more than 15% of the market value of the bond portfolio.

Short-term investments must have a rating of “R-1” or equivalent as rated by a recognized bond rating agency.

Investment income and changes in the market value of investments are allocated annually to members in the Contribution Fund.

Annuity Fund

The Annuity Fund holds assets transferred from the Contribution Fund at retirement. Assets in the fund are used to provide annuity payments for life to retired members. Overall, the risk tolerance of the fund is low as the fund cannot tolerate loss of principal. Risk is addressed through an investment approach that invests in high quality fixed income investments. Interest rate risk is addressed by matching estimated future cash payments with interest and principal payments from the portfolio. As such, the Annuity Fund is immunized against changes in interest rates that may cause temporary differences between the asset and liability values. The duration of the portfolio at cost is matched with the duration of the liabilities at cost on an annual basis. The matching should fall within a band of -.5 to +.5 years of the duration target.

Government of Canada, Provincial Government and Corporate bond issues, strip bonds, mortgages, mortgage backed securities and short term investments are permissible investments. Equities and derivatives are not permitted.

Government bonds must have a credit rating of at least “BBB” or equivalent at the time of purchase. No more than 15% of the market value of the bond portfolio may be invested in government bonds with a “BBB” rating. The minimum credit rating for corporate bonds and debentures is an “A” rating or equivalent at the time of purchase. No more than 10% of the market value of the bond portfolio should be invested in corporate bonds. Mortgage related investments must be government guaranteed or NHA approved. No more than 10% of the market value of the total portfolio should be invested in mortgages. Short term investments must have an “R-1” or equivalent credit rating at the time of purchase.

Actuaries’ Opinion

Aon Consulting Inc. was retained by the Saskatchewan Pension Plan (the Plan) to perform actuarial valuations of the assets and liabilities of the Saskatchewan Pension Plan on a funding basis as at December 31, 2003. The valuation of the Plans’ actuarial assets and liabilities were based on:

- Membership and asset data provided by the Saskatchewan Pension Plan as at December 31, 2003; and
- Assumptions about future events (economic and demographic) which were developed by Aon Consulting Inc.

While the actuarial assumptions used to estimate liabilities for the Plan are, in our opinion, reasonable, the Plan’s future experience will differ from the actuarial assumptions. Emerging experience differing from the assumptions will result in gains or losses that will be revealed in future valuations, and will affect the financial position of the Plan.

We have tested the data for reasonableness and consistency with prior valuations and in our opinion the data is sufficient and reliable for the purposes of the valuation. We are also of the opinion that the methods employed in the valuation and the assumptions used are, in aggregate, appropriate. Our opinions have been given, and our valuation has been performed in accordance with accepted actuarial practice.

SIGNED	SIGNED
Donald L. Ireland Fellow, Canadian Institute of Actuaries Fellow, Society of Actuaries February 13, 2004	Troy Milnthorp Analyst

Management and Auditors' Reports

Management's Responsibility for Financial Statements

The accompanying financial statements of the Saskatchewan Pension Plan, and all information in this annual report, have been prepared by Plan management which is responsible for the reliability, integrity and objectivity of the information provided. The statements have been prepared in accordance with Canadian generally accepted accounting principles and necessarily include some estimates based on management's judgment. Other financial information in this annual report is consistent with that provided in the financial statements.

The Plan's accounting system and related system of internal controls are designed to provide reasonable assurance that transactions are properly authorized and recorded, assets are safeguarded, and financial records are properly maintained to provide reliable information for use in the preparation of financial statements.

The Board of Trustees of the Plan is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board reviews and approves the financial statements.

These financial statements have been audited by the Plan's external auditors, Deloitte & Touche LLP, in accordance with Canadian generally accepted auditing standards, on behalf of the Members of the Legislative Assembly of Saskatchewan.

SIGNED

Earl R. Hanson
Chairperson
February 13, 2004

SIGNED

Katherine Strutt
General Manager

To the Members of the Legislative Assembly of Saskatchewan

We have audited the statement of net assets available for benefits of the Saskatchewan Pension Plan as at December 31, 2003 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2003 and the results of its operations and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

SIGNED

Chartered Accountants

Saskatoon, Canada
February 13, 2004

Saskatchewan Pension Plan
Statement of Net Assets Available for Benefits
As at December 31

	2003			2002		
	Contribution Fund	**Annuity Fund**	**Total**	**Contribution Fund**	**Annuity Fund**	**Total**
ASSETS						
Investments at market value (Note 3)	$148,093,797	$ -	$148,093,797	$136,004,309	$ -	$136,004,309
Investments at cost (Note 4)	-	61,375,223	61,375,223	-	57,823,984	57,823,984
	148,093,797	61,375,223	209,469,020	136,004,309	57,823,984	193,828,293
Cash	485,022	135,218	620,240	479,783	111,472	591,255
Accounts receivable	617,382	811,057	1,428,439	623,494	772,443	1,395,937
Prepaid (deferred) retirement transfers	466,623	(466,623)	-	727,006	(727,006)	-
Prepaid pension benefits	-	501,356	501,356	-	473,813	473,813
Capital assets	22,224	9,162	31,386	-	-	-
Total Assets	149,685,048	62,365,393	212,050,441	137,834,592	58,454,706	196,289,298
LIABILITIES						
Administrative expenses payable	124,827	65,033	189,860	134,211	46,418	180,629
Deaths and other benefits payable	73,993	18,495	92,488	43,478	30,077	73,555
Deferred member contributions	7,600	-	7,600	4,000	-	4,000
Provision for annuity benefits (Note 5)	-	58,853,865	58,853,865	-	55,471,211	55,471,211
Total liabilities	206,420	58,937,393	59,143,813	181,689	55,547,706	55,729,395
NET ASSETS AVAILABLE FOR BENEFITS	$149,478,628	$ 3,428,000	$152,906,628	$137,652,903	$ 2,907,000	$140,559,903

ON BEHALF OF THE TRUSTEES:

SIGNED

Earl R. Hanson,
Chairperson

SIGNED

Gloria Blanchard,
Board Member

(See Accompanying Notes)

Saskatchewan Pension Plan
Statement of Changes in Net Assets Available for Benefits
For the Year Ended December 31

	2003			2002		
	Contribution Fund	Annuity Fund	Total	Contribution Fund	Annuity Fund	Total
INCREASE IN ASSETS						
Investment income						
Interest and other income	$ 3,352,852	$ 4,466,196	$ 7,819,048	$ 3,735,696	$ 4,278,426	$ 8,014,122
Dividends	944,801	-	944,801	847,200	-	847,200
Pooled Funds	738,425	-	738,425	573,875	-	573,875
	5,036,078	4,466,196	9,502,274	5,156,771	4,278,426	9,435,197
Change in market value of investments	11,694,703	-	11,694,703	(6,827,692)	-	(6,827,692)
Contributions	4,890,606	-	4,890,606	4,920,948	-	4,920,948
Transfers from Contribution Fund	-	6,113,222	6,113,222	-	5,879,949	5,879,949
	21,621,387	10,579,418	32,200,805	3,250,027	10,158,375	13,408,402
DECREASE IN ASSETS						
Annuities to Pensioners	-	5,814,126	5,814,126	-	5,464,931	5,464,931
Change in provision for annuity benefits (Note 5)	-	3,382,654	3,382,654	-	2,286,053	2,286,053
Administrative expenses (Note 8)	1,288,037	530,967	1,819,004	1,202,062	467,469	1,669,531
Transfers to other plans	2,074,668	-	2,074,668	1,452,878	-	1,452,878
Transfers to Annuity Fund	6,113,222	-	6,113,222	5,879,949	-	5,879,949
Deaths and other benefits	319,735	330,671	650,406	174,099	326,922	501,021
	9,795,662	10,058,418	19,854,080	8,708,988	8,545,375	17,254,363
Change in Net Assets	11,825,725	521,000	12,346,725	(5,458,961)	1,613,000	(3,845,961)
NET ASSETS AVAILABLE FOR BENEFITS BEGINNING OF YEAR	137,652,903	2,907,000	140,559,903	143,111,864	1,294,000	144,405,864
NET ASSETS AVAILABLE FOR BENEFITS END OF YEAR	$149,478,628	$ 3,428,000	$152,906,628	$137,652,903	$ 2,907,000	$140,559,903

(See Accompanying Notes)

Saskatchewan Pension Plan
Notes to the Financial Statements
December 31, 2003

1. Description of Plan

(a) General

The Saskatchewan Pension Plan ("SPP" or the "Plan") was established by the Government of Saskatchewan to provide an opportunity for individuals with little or no access to private pensions or other retirement savings arrangements to save for their retirement. Details of the Plan are contained in *The Saskatchewan Pension Plan Act* (the Act) and Regulations.

(b) Funds Established

The following funds were established to administer the Plan:

(i) Contribution Fund (CF)
The CF is a Defined Contribution Fund established to accumulate all contributions and earnings for members who have not yet retired under the Plan. The Fund holds a balanced portfolio including equities, bonds and money market investments to maximize earnings while minimizing risk to members.

(ii) Annuity Fund (AF)
The AF was established to provide retirement annuities to the members of the Plan. The Fund holds investments in high quality long-term bonds. The Fund also holds money market investments for current pension needs and to pay administration costs. Equity investments are not permitted. The investment portfolio is structured to limit the effect on the Fund due to changes in the level of interest rates, to provide sufficient liquidity for payments to retirees when due, and to ensure long-term solvency.

(c) Contributions

Participation in the Contribution Fund is voluntary and members can contribute a maximum of $600 for each plan year. Contributions are vested immediately in the member's name and are locked into the Plan until retirement.

(d) Retirement

Members may retire under the Plan as early as age 55 or delay retirement as late as age 69. A member's accumulated account balance at retirement consists of member's contributions to the Plan together with the investment income and changes to the market value of the Plan's investments allocable to the member as of that date under the terms of the Plan. Upon retirement, members may purchase an annuity through the AF or they may transfer all or part of their account to a locked-in pension option with another financial institution.

(e) Income Tax

The Plan is a prescribed provincial plan under the Income Tax Act and is not subject to tax.

(f) Death Benefits

Should a member die prior to retirement, the funds in his or her account will be paid to the named beneficiary. If the beneficiary is the member's spouse, the funds may be transferred to the spouse's SPP account or to their own registered retirement savings plan.

Should a member die after retirement, death benefits are payable according to the type of annuity the member selected at retirement.

(g) Withdrawal Provisions

Members whose monthly pensions are less than the prescribed amount can withdraw their total pension in one lump sum instead of receiving monthly benefits. In 2003, the prescribed amount was $16.63.

2. Significant Accounting Policies

The financial statements are prepared in accordance with Canadian generally accepted accounting principles. The following policies are considered to be significant:

(a) Investment Transaction and Income Recognition

Investment transactions are accounted for on the trade date. Realized gains and losses and unrealized appreciation or depreciation of investments are determined by reference to the average cost of investments. The Plan follows the accrual method for the recording of income and expenses. Dividends are recorded on the date of record.

Saskatchewan Pension Plan
Notes to the Financial Statements
December 31, 2003

(b) Investments

(i) Contribution Fund

Investments comprising of bonds and equities are stated at market value which is determined by reference to closing year-end sale prices from recognized security dealers or in the absence of recorded sales by referring to closing year-end bid and ask prices. Money market investments, comprising of treasury bills and bankers acceptances, are recorded at cost, which approximates market value. Pooled funds are valued based on quoted market price of the underlying investments, normally the bid and ask price.

(ii) Annuity Fund

Investments in bonds are carried at amortized cost. Any premium or discount arising on purchase is amortized to income over the period to maturity. Gains and losses arising on sale are deferred and amortized to income over the remaining term to maturity of the security sold. Funds are transferred from the Contribution Fund at the date members purchase an annuity from the Annuity Fund for the purchase of long-term bonds. The combined duration of the bonds purchased is matched to the duration of the annuities purchased from the Annuity Fund. Under the policy of the Plan such bonds are generally held to maturity and therefore are not considered marketable. This is consistent with the basis of underwriting annuities, which are issued based on the prevailing interest rates at the time of retirement. Money market investments, comprising of treasury bills and bankers acceptances, are recorded at cost, which approximates market value.

(c) Foreign Currency Translation

Monetary items denominated in foreign currency are translated at the exchange rate in effect at year-end. Investments, revenue, and expenses are translated at the exchange rate in effect at the transaction date. Gains and losses arising on translation are included in the current period change in market value of investments.

(d) Fair Value

Accounts receivable, prepaid (deferred) retirement transfers, prepaid pension benefits, administrative expenses payable, death and other benefits payable and deferred member contributions are all short term in nature and as such, their carrying value approximates fair value.

Fair value of investments approximates market value.

(e) Capital Assets

Assets costing more than $25,000 are capitalized and amortized over their useful life. Assets costing less than the above threshold are expensed in the year of purchase.

3. Contribution Fund Investments

	2003	2002
	(at market value)	
Money Market	$ 2,514,849	$ 6,325,351
Bonds	62,354,701	58,929,197
Equities	58,670,740	48,478,685
Pooled Funds	24,553,507	22,271,076
	$148,093,797	$136,004,309

Saskatchewan Pension Plan
Notes to the Financial Statements
December 31, 2003

(a) Money Market

	2003			2002		
	Average Term (in days)	Effective Interest Rate (percent)	Market Value	Average Term (in days)	Effective Interest Rate (percent)	Market Value
Money Market	97	2.8	$2,514,849	58	2.8	$6,325,351

Money market investments are defined as securities purchased with a maturity of one year or less. Only securities with an “R-1” rating, as rated by a recognized bond rating agency at the time of purchase, are permissible. Other than the Government of Canada, no single issuer represents more than 5.5% (2002: 10.8%) of the money market portfolio.

(b) Bonds

2003

Years to Maturity	Federal	Provincial	Municipal	Corporate	Total
			(at market value)		
5 years or less	$14,580,222	$4,547,521	$503,942	$ 6,932,035	$26,563,720
Greater than 5 years	18,462,513	9,262,818	525,435	7,540,215	35,790,981
	$33,042,735	$13,810,339	$1,029,377	$14,472,250	$62,354,701

2002

Years to Maturity	Federal	Provincial	Municipal	Corporate	Total
			(at market value)		
5 years or less	$22,087,906	$2,543,723	$511,482	$ 6,803,527	$31,946,638
Greater than 5 years	12,318,972	6,222,255	341,586	8,099,746	26,982,559
	$34,406,878	$8,765,978	$853,068	$14,903,273	$58,929,197

Bonds must meet a minimum quality standard of “BBB” or equivalent, as rated by a recognized credit rating service at the time of purchase. No more than 15% of the market value of the bond portfolio may be held in “BBB” issues. Other than the Government of Canada, no single issuer represents more than 8.5% (2002: 3.5%) of the overall bond portfolio. Fixed rate bonds have effective interest rates ranging between 3.0% and 8.1% (2002: 2.9% and 10.2%).

Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

(c) Equities

	2003	2002
	(at market value)	
Canadian Shares	$40,338,598	$32,075,091
United States Shares	18,332,142	16,403,594
	$58,670,740	$48,478,685

No one holding represents more than 10% of the market value of the equity portfolio or more than 10% of the capital stock of the issuer. Equities include common shares that have no fixed maturity date and are generally not exposed to interest rate risk. The average dividend rate is 1.7% (2002: 1.5%).

Saskatchewan Pension Plan
Notes to the Financial Statements
December 31, 2003

(d) Pooled Funds

	2003	2002
	(at market value)	
Fixed Income Bond Pooled Fund	$ 3,576,933	$ 3,297,370
Non North American Pooled Fund	20,976,574	18,973,706
	$24,553,507	$22,271,076

The Plan limits its investments in a single pooled fund to not be more than 10% of the market value of its investment portfolio. These funds have no fixed interest rate and their returns are based on the investment performance attained by the fund manager.

(e) Interest Rate, Credit, Foreign Currency, and Market Risk

Interest Rate Risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Plan's assets and liabilities. The value of some of the Plan's assets is affected by changes in nominal interest rates and equity markets.

The Fund holds approximately 46.2% (2002: 50.4%) of its investments in fixed income securities and 53.8% (2002: 49.6%) in equities at December 31, 2003.

Credit Risk

Credit risk arises from the potential for issuers of securities to default on their contractual obligation to the Plan. The Plan limits the credit risk by dealing with issuers that are considered to be high quality. At December 31, 2003 the Fund's maximum credit risk exposure relates to bonds, accrued income and short-term investments totaling $69,002,662 (2002: $69,174,931)

Foreign Currency Risk

Foreign currency exposure arises from the Plan's holding of foreign equities. At December 31, 2003, the Plan's foreign currency exposure was $39,308,715 (2002: $35,377,300).

Market Risk

The Plan invests in publicly traded equities and bonds available on domestic and foreign exchanges. These securities are affected by market changes and fluctuations.

To manage the above risks, the Board has adopted an Investment Policy whereby investments are strategically distributed among several classes of assets to reduce exposure to investment volatility. The Plan's Investment Policy also defines minimum quality rating for new investments and restricts the size of investment in any one issuer.

Saskatchewan Pension Plan
Notes to the Financial Statements
December 31, 2003

(f) Investment Performance

The following is a summary of the Contribution Fund investment performance before administration expenses:

	Annual Return		Rolling Four Year Return	
	2003	**2002**	**2003**	**2002**
Portfolio Return	12.4%	-1.1%	6.0%	4.8%
Benchmark Return	11.7%	-4.5%	2.6%	2.7%

The portfolio return is a time-weighted rate of return calculation. The benchmark return aggregates the actual market index returns according to the weightings specified in the Investment Policy.

4. Annuity Fund Investments

	2003	**2002**
	(at carrying value)	
Money Market	$ 773,000	$ 1,241,554
Bonds	60,602,223	56,582,430
	$61,375,223	$57,823,984

(a) Money Market

	2003			2002		
	Average Term (in days)	Effective Interest Rate (percent)	Market Value	Average Term (in days)	Effective Interest Rate (percent)	Market Value
Money Market	29	2.6	$773,000	47	2.8	$1,241,554

Money market investments are defined as securities purchased with a maturity of one year or less. Only securities with an “R-1” rating are permissible. Other than the Government of Canada, no single issuer represents more than 0.0% (2002: 29.1%) of the money market portfolio.

(b) Bonds

2003

Years to Maturity	Federal	Provincial	Corporate	Total	Total Market
	(at carrying value)				
5 years or less	$ 3,535,621	$ 5,771,760	$ 551,148	$ 9,858,529	$10,650,433
Greater than 5 years	8,845,670	41,148,546	749,478	50,743,694	62,064,329
	$12,381,291	$46,920,306	$1,300,626	$60,602,223	$72,714,762

2002

Years to Maturity	Federal	Provincial	Corporate	Total	Total Market
	(at carrying value)				
5 years or less	$ 3,491,738	$ 4,440,726	$ 549,346	$ 8,481,810	$ 9,169,976
Greater than 5 years	10,027,456	37,336,296	736,868	48,100,620	58,958,334
	$13,519,194	$41,777,022	$1,286,214	$56,582,430	$68,128,310

Government bonds must meet a minimum quality standard of “BBB” or equivalent as rated by a recognized credit rating service at the time of purchase. No more than 15% of the market value of the total bond portfolio may be held in “BBB” issues. Corporate bonds must meet a minimum quality standard of “A” at the time of purchase. Other than the Government of Canada, no single issuer represents more than 20.8% (2002: 20.3%) of the overall bond portfolio. Fixed rate bonds have yields to maturity ranging between 4.9% and 11.4% (2002: 5.2% and 11.4%). Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

(c) Interest Rate and Credit Risk

Interest Rate Risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan’s cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Plan’s assets and liabilities. The value of some of the Plan’s assets is affected by changes in nominal interest rates.

Credit Risk

Credit risk arises from the potential for issuers of securities to default on their contractual obligation to the Plan. The Plan limits the credit risk by dealing with issuers that are considered to be high quality. At December 31, 2003 the Fund’s maximum credit risk exposure relates to bonds, accrued income and short-term investments totaling $62,186,269 (2002: $58,596,333).

To manage the above risk, the Board has adopted an Investment Policy that sets out the manner in which assets are invested. The Plan’s Investment Policy defines the minimum quality rating for new investments and restricts the size of certain investments.

5. Provision for Annuity Benefits

The provision for annuity benefits is the actuarial present value of the future expected annuity benefit obligation to pensioners as annually determined by Aon Consulting Inc., an independent actuary. The actuarial valuation is a complex process requiring professional judgment on the part of the actuary and must ensure consistency with the asset valuation methodology. Measurement of this amount involves uncertainty, as estimates must be made of future interest rates and mortality rates.

The valuation method used to calculate the basic pension liability of retired members was the single premium actuarial cost method. An interest rate of 6.0% (2002: 6.2%) was used to determine the liabilities as of December 31, 2003. The 1994 Group Annuity Mortality Table rates were used for actuarial valuation.

Pension annuities are issued based on the prevailing interest rates at the dates of retirement of the annuitants. The duration of the investments purchased are matched with the duration of the liabilities. As such, the risk to the Plan relates to:

(i) any differences, which may be material, between the estimated and actual life expectancy of the annuitant group which may cause the Plan to have insufficient funds to meet the liability or more funds than required; and

(ii) reinvestment of assets at maturity at rates greater than or less than rates used in determining the annuities.

To manage this risk, the Plan uses investment managers and actuaries to assist in determining the investment strategy. Further, subsection 7(3.2) of the Act requires any amount by which the liability of the Annuity Fund exceeds the assets of the Annuity Fund to be a charge on and payable from the General Revenue Fund of the Province of Saskatchewan. At December 31, 2003 and 2002, the Annuity Fund was in a surplus position.

The annual change in the liability is recorded in the statement of changes in net assets. The principal components of the change in the provision for annuity benefits during the year are summarized below:

	2003	2002
Liability, beginning of year	$55,471,211	$53,185,158
Interest on liabilities and benefits paid	3,219,654	3,146,872
Increase in liability due to new annuities	5,215,000	5,706,000
Change in mortality tables	-	713,000
Benefits paid	(6,145,000)	(5,465,000)
Mortality experience	334,000	153,000
Change in liability due to change in interest rate assumption	759,000	(1,967,819)
	3,382,654	2,286,053
Liability, end of year	$58,853,865	$55,471,211

Saskatchewan Pension Plan
Notes to the Financial Statements
December 31, 2003

6. Earnings Allocation to Members

Investment income plus the current year change in market value less administration expenses are allocated annually to members in the Contribution Fund.

Prior to 2003, the change in the market value of investments was allocated over a four-year period on a straight-line basis. During the year the allocation policy was changed to allocate changes in the market value of investments annually. As a result the unallocated loss at December 31, 2002 of $4,687,214 was allocated to members at December 31, 2003.

7. Related Party Transactions

The Plan conducts a portion of its transactions with Saskatchewan Crown-controlled Agencies, departments and corporations. These transactions are at the prevailing market rates and are settled on normal trade terms. During the year, the Plan incurred operating expenses of approximately $249,478 (2002: $190,452) with these related parties.

At December 31, 2003, the Plan has $4,717,270 market value (2002: $4,511,022) invested in Province of Saskatchewan bonds with varying maturity dates and interest rates. Interest income on these bonds during the year was approximately $284,700 (2002: $294,017).

8. Administrative Expenses

Administrative expenses are allocated to the Funds based on their weighted average asset base as prescribed by Regulation.

	2003	2002
Salaries and Wages	$ 651,125	$ 618,258
Professional and Technical Services	528,347	516,045
Advertising and Promotional	268,831	261,590
IT Expenses	113,960	80,178
Facility and Equipment Rental (Note 9)	79,723	80,212
Telephone, Freight and Postage	43,930	42,459
Office Supplies	36,137	19,357
Leasehold Improvements	29,231	3,053
Board Honorariums and Expenses	26,103	18,983
Amortization	15,693	-
Travel	13,432	9,932
Other Contractual	12,492	19,464
Total Administrative Expenses	$1,819,004	$1,669,531
Allocated as follows:		
Contribution Fund	$1,288,037	$1,202,062
Annuity Fund	530,967	467,469
	$1,819,004	$1,669,531

9. Lease Commitment

The Plan is committed to an operating lease for office space to September 30, 2006 with minimum annual lease payments of $68,550 due to a related party and is included in the amount shown in Note 7.

10. Comparative Figures

Certain comparative figures have been reclassified to conform with the financial presentation adopted in the current year.