Saskatchewan Pension Plan

Annual Report
for the year ending
December 31, 2007

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Letters of Transmittal

His Honour
The Honourable Dr. Gordon L. Barnhart
Lieutenant Governor,
Province of Saskatchewan

Your Honour:

I have the honour to submit the Annual Report of the Saskatchewan Pension Plan for the year ended December 31, 2007.

Respectfully submitted,

Original signed by

Rod Gantefoer
Minister Responsible
Saskatchewan Pension Plan

The Honourable Rod Gantefoer
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 ended December 31, 2007.

Respectfully submitted,

Original signed by

Katherine Strutt
General Manager
Saskatchewan Pension Plan

Chairperson's Message

Since its beginning in 1986, the Saskatchewan Pension Plan (SPP) has evolved from a plan primarily for people without income, either from wages or as a business operator, to a dynamic organization where the majority of people joining do have this type of income. By offering a valuable service to the citizens of Saskatchewan, SPP has realized the benefit of a society that has become more concerned about retirement planning. Over the past 22 years SPP has evolved to its position as the 33rd largest defined contribution pension plan in Canada.

The Plan's mission statement emphasizes growth so that members will experience greater financial security in retirement. As a policy governance Board, the trustees contribute to the growth of the Plan by instituting and monitoring an investment policy that safeguards assets in the Plan and provides sufficient opportunity for increased asset value. This year was challenging in that regard. Market returns were not strong and, coupled with the strength of the Canadian dollar, the portfolio's return to members was negative. Since the income allocation policy stipulates that interest is allocated based on market performance, annual returns are more volatile. SPP has a strong return history boasting an average of 9.2% since inception; the portfolio is positioned to continue growing in the future.

Growth is the focus of SPP's corporate goals and this year netted strong results showing both member and contribution increase. This success is largely attributed to the support received each year from existing members and from an aggressive marketing strategy. The Board continues to press for changes so that members can increase their level of contribution to their retirement plan. While progress to that end was made in 2007, the goal has not yet been accomplished.

Board composition changed slightly this year as Arnie Arnott completed his term. His leadership and commitment to the Plan was highly valued by the Board.

In the year ahead, the Board is looking forward to continuing its efforts with respect to a contribution limit increase as the Plan continues to grow.

Respectfully submitted,

Original signed by

Robert J. Devrome
Chairperson
Saskatchewan Pension Plan Board of Trustees

General Manager's Message

2007 was a year of growth for the Saskatchewan Pension Plan (SPP). Almost 1,500 new members joined and over 500 members retired in the year. SPP has been very successful in marketing the Plan to both new and existing members and continues to focus on attracting younger members and employees of small businesses. SPP is especially beneficial to employees in the private sector, the majority of whom do not have access to a pension plan arrangement. The continued growth of both members and assets is integral to the ongoing success of SPP.

SPP has a strong history in the Province and offers an excellent product to its participants. While there is likely to be disappointment in the -0.3 per cent returned to members in 2007, it is important to recognize the long-term history of returns with SPP remains strong at 9.2 per cent since inception in 1986. Although the portfolio is expected to produce strong long term results, annual returns can be volatile and negative on occasion. The investment philosophy of the Plan has not changed and the portfolio is positioned to continue growing in the future.

Customer service is a major focus of SPP and one of the Plan's strengths. This was validated by the results of a member satisfaction survey conducted in 2007 which showed 72 per cent of members were very satisfied with the Plan. The Board and staff of SPP are committed to providing excellent service at a reasonable cost. Administration expenses are paid from investment earnings and the expense ratio has consistently been less than one per cent since 1992. The administration expense ratio for 2007 was 0.9 per cent for the Contribution Fund.

While the majority of contact with members continues to be by phone and through the mail, electronic communication is increasing. Technology has changed the way members want to receive service and SPP continues to evaluate the balance between the technology demands of members and the cost of providing those services.

Maintaining strong investment returns, effective control of expenses and progress toward achieving a contribution limit increase are among the challenges facing SPP in 2008.

I would like to thank the Board of Trustees and Plan staff for their commitment to fulfilling the vision and mission of SPP.

Respectfully submitted,

Original signed by

Katherine Strutt
General Manager
Saskatchewan Pension Plan

Corporate Philosophy

Our Mission

The Saskatchewan Pension Plan will grow through the provision of a superior investment opportunity that results in enhanced financial security at retirement.

Our Vision

The pension plan that people know and trust.

Our Values

Respect

- Listening and working to understand and meet stakeholder needs
- Communication must be direct, open, honest and timely

Integrity

- Behaving in a consistent manner towards each other and our members, respecting commitments and being true to one's word
- Upholding the highest ethical standard

Initiative

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

Teamwork

- Accepting diversity and difference
- Co-operating to accomplish common goals

Accountability

- We hold ourselves and each other accountable for delivering on commitments, agreements and promises
- We live up to what we say by following through on commitments and by demonstrating leadership
- We take ownership of problems and accept personal responsibility

Transparency

- Actions and the results of those actions are clear
- Relevant information is available and openly shared

Strategic Direction

The mission providing strategic direction to the Saskatchewan Pension Plan (SPP) is "grow through the provision of a superior investment opportunity that results in enhanced financial security at retirement". The Board of Trustees and management continually monitor the Plan's external environment and core competencies so that the company's strengths can be leveraged to provide appropriate service to stakeholders, keep the Plan relevant and viable and fulfill the organization's mission.

A key source of information and input for developing strategic direction is existing Plan membership. SPP values the loyalty demonstrated and input provided by these people. Their satisfaction is tracked using a set of service standards developed for all aspects of plan operations. Governance provides a solid foundation for the strategic direction of the Plan and is a key function of the Plan's Board of Trustees. Governance refers to the structure and processes for overseeing, managing and administering the pension plan to ensure the fiduciary and other obligations of the Plan are met. This is the assurance to members that the Plan is prudently administered.

The strategic direction for SPP during the year under review is focused on four goals.

Goal 1: Increase the Contribution Limit

The achievement of this end depends on a significant cooperation between SPP, the provincial government and the federal government. Progress was made toward this goal in 2007 and it will continue to be the focus for the Board of Trustees in 2008.

Goal 2: Growth of SPP membership

Recruitment of new, younger members is critical to maintaining a viable plan. Targeting younger people allows the Plan to establish a long-term relationship with its customers which aids in the achievement of the asset growth goal. An effective marketing strategy coupled with the strong return in 2006 yielded excellent membership growth in 2007.

New Member Profile

- 1,496 people joined SPP in 2007.
- 75.8 per cent identified themselves as full-time, part-time or self employed.
- Average age of new members in 2007 was 38 years.

Goal 3: Growth of SPP assets

Contributions received from members during the year totalled $7.0 million, more than 9.6 per cent ahead of 2006 levels. In addition to new members, SPP also re-engaged dormant members and some of the contribution growth is attributed to that strategy. Net assets under management in the Contribution Fund at December 31, 2007 were $186.4 million and $91.0 million in the Annuity Fund.

Goal 4: Optimize member satisfaction

A member satisfaction survey was conducted by SPP in 2007. The results of this inaugural survey will serve as a baseline measure for this area of Plan operations in the future. The survey showed 95 per cent of members were satisfied or very satisfied with the pension plan. Prudent administration is not only part of the Plan's fiduciary obligation to members but also impacts members' satisfaction. A measure of success in this area is the expense ratio which was 0.9 per cent for the Contribution Fund and 0.5 per cent for the Annuity Fund in 2007.

Looking Ahead

Beyond day-to-day plan operations and continued service to the public, the primary focus of resources in the coming year will be on increasing the contribution limit.

Plan Operations

SPP is a voluntary, capital accumulation 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, 2007, SPP had 32,080 members (2006: 31,199).

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

- visiting the Plan's website at saskpension.com;
- calling the toll-free line at 1-800-667-7153; or
- by e-mailing the Plan at: info@saskpension.com.

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 and the website to contact SPP. In 2007 the toll-free line received over 12,700 calls and web traffic continued to increase.

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 2007, 11,833 members contributed to SPP with an average contribution of $591 (2006: 10,781; $591).

Members like the easy payment options available at SPP. They can use the Pre-Authorized Contribution system; mail contributions to the Plan; use their Visa® or Mastercard® by phone, in person or on SPP's website; 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 in the event of 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 (CF), an actively managed, balanced fund of bonds, equities and money market investments. The purpose of the fund is to provide members with long-term growth. The Statement of Investment Policies and Goals for 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 Highlights section (page 13) and the Investment Policy Summary (page 16).

> SPP is an easy-to-use pension plan that does not require an employer-employee relationship to participate.

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 it.

Plan Operations

Employers simply deduct the contributions from their payroll or contribute on behalf of their employees on whatever schedule they choose.

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 2007, pensions under $18.21 per month qualified for this option.

Each annuity the Plan offers will pay the member lifetime monthly benefits 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, annuity option and interest and annuity rates in effect.

When members retire from SPP and choose an annuity from the Plan, their funds are transferred from the CF to the Annuity Fund (AF). The AF, a non-trading portfolio, invests in high quality long-term, fixed income instruments.

Retired Members

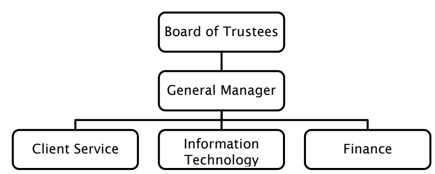
- 541 members retired in 2007.
- Average monthly pension for new retirees was $118.
- Highest monthly pension was $346.
- 11,696 members receive a pension from SPP at the end of 2007.
- 332 members started a pension in 2007 at an average age of 65 years.
- 171 members transferred into lifetime retirement income vehicles.
- 38 chose the small pension payout option.

Administration

SPP is administered by a Board of Trustees who act as trustee of the fund and administer the Plan in accordance with *The Saskatchewan Pension Plan Act* and Regulations and Board policies.

Board members are appointed by Order-in-Council and serve staggered two-year terms. The Chairperson is Robert Devrome; board members are Gloria Blanchard, Linda Kezima, Meghan McCreary and Owen Sebastian.

Responsibility for 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 Dexia Investor Services Trust, 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, Hewitt Associates, who assists the Board in monitoring the performance of the investment managers.

Plan Operations

Administrative expenses are paid from Plan earnings and SPP focuses on providing efficient service at a reasonable cost. In 2007 total expenses for the CF were 0.9 per cent of the average market value of assets held in the fund. Total expenses for the AF were 0.5 per cent of the average market value of assets held in the fund.

SPP Board of Trustees

From left to right: Meghan McCreary, Linda Kezima, Robert Devrome, Gloria Blanchard. Missing: Owen Sebastian

Privacy

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 their 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.

Member Statistics

Member Status	***%***
Active	64
Retired	36

Sex	***%***
Female	72
Male	28

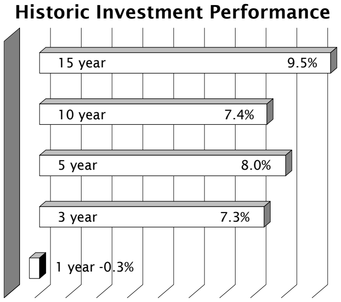
Occupation	***%***
Homemaker	24
Farmer	9
Self Employed	10
Full time	23
Part time	24
Student	5
Other	5

Age Distribution	***%***
18-25	3
26-34	7
35-49	20
50-65	34
Over 65	36

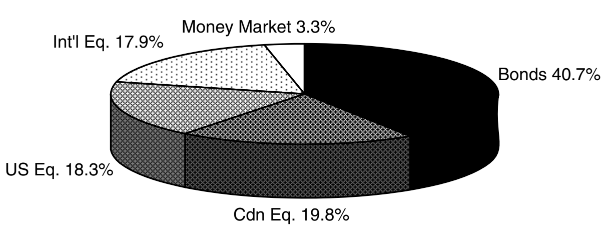
Contribution Fund

After taking into account Investment income, changes in the market value of investments, contributions, administrative expenses and transfers out at retirement, net assets decreased from $190.6 million at the end of 2006 to $186.4 million at the end of 2007. This represents a return of -0.3 per cent after administration costs, which was allocated to members' accounts at year end. The historic rates of return are shown on the left. The Fund's asset mix guidelines, which define a minimum and maximum for each asset class, allow for some deviation from the benchmark to take a more defensive position when economic conditions are weak and a more aggressive position when markets are strong. The chart on below shows the actual asset mix at December 31, 2007.

Historic Investment Performance



Contribution Fund Portfolio at December 31, 2007



2007 was a disappointing year for balanced funds, in contrast to the past five years. The solid returns achieved in the Canadian equity market were offset by the sharp appreciation of the Canadian dollar. The dollar soared to a modern-day high of $1.1039 relative to the US dollar before ending the year near par. The currency was boosted by solid economic growth, rising commodity prices, federal budget and trade surpluses and general US dollar weakness. Markets also retreated as the fallout from the US sub-prime mortgage market continued to pressure the global economy. For investors, this resulted in negative returns for non-Canadian investment classes.

2007 Market returns	
S&P/TSX Composite Index	9.8%
S&P 500 Index (C$)	-10.5%
MSCI EAFE Index (C$)	-5.7%
DEX Universe Bond Index	3.7%

Long-term Canadian interest rates rose in the first half of 2007 as investors grew increasingly concerned about a strong economy triggering rising inflation. Sentiment changed direction in the second half of the year as investors' focus shifted from economic growth to the expectation of a slowdown following the demise of the US sub-prime lending market. Interest rates fell, ending the year very close to where they began.

The following is a summary of the Contribution Fund's (CF) performance by asset class in 2007. Information on the Annuity Fund (AF) can be found on page 15. The rates of return used in outlining investment highlights exclude fees which allows for a valid comparison to benchmarks. SPP's year-end return was 0.65 per cent (before administration costs) compared to a benchmark of 0.54 per cent.

Canadian Equities

Top 10 Canadian Equity Holdings in 2007

	% of Portfolio		% of Portfolio
1. Toronto Dominion Bank	7.6	6. Saputo	4.5
2. Manulife Financial Corp	6.6	7. Finning International	3.7
3. Bank of Nova Scotia	5.7	8. Shoppers Drug Mart	3.4
4. Royal Bank of Canada	4.8	9. CIBC	3.2
5. Encana	4.6	10. Toromont Inds	2.8

The S&P/TSX Composite Index returned 9.8% per cent in the year, which was almost the fifth straight year of double digit returns for Canadian equities. The market suffered a weak finish to what started out as a good year. Continued fears of a worsening world-wide credit crunch pushed the Canadian market into a loss in the fourth quarter. Seven of the sectors finished the year in positive territory. The strongest performing sector was Information Technology, lead by Research In Motion which accounted for 71% of the sector at December 31. Materials were also strong, as rising gold prices propelled returns. Gold benefited from weakness in the US dollar and general turmoil in the markets. Despite oil nearing $100 US, the Energy sector ended the year in sixth place. SPP's Canadian equity portfolio returned 12.1 per cent for the year.

The chart below shows the sector weighting of each portion of the SPP Canadian equity portfolio as at December 31, 2007. Similar information is provided for U.S. equities, Non-North American equities and bonds.

	S&P/TSX Weight (%)	Portfolio Weight (%)	Index Return (%)
Information Technology	5.2	5.1	48.2
Materials	16.9	9.3	30.3
Telecom Services	5.5	2.8	19.9
SPP			**12.1**
Utilities	1.5	0.5	11.9
Industrials	5.4	12.7	10.5
S&P/TSX 300			**9.8**
Energy	27.9	19.2	8.2
Consumer Discretionary	5.0	6.6	4.2
Financials	29.6	35.4	-1.6
Consumer Staples	2.5	8.4	-5.3
Health Care	0.5	-	-24.3
Total	100.0	100.0	

U.S. Equities

Top 10 U. S. Equity Holdings in 2007	% of Portfolio		% of Portfolio
1. Berkshire Hathaway	4.1	6. Apache	2.5
2. Merck	3.3	7. American Int'l. Group	2.4
3. Microsoft	3.0	8. Johnson & Johnson	2.4
4. Markel	3.0	9. Carnival	2.1
5. Pfizer	2.6	10. Exxon Mobil	2.0

The S&P 500 returned 5.5 per cent in US$ with the return decreasing to -10.5 per cent in C$, as the Canadian dollar soared 17.9 per cent relative to the US dollar. Markets were plagued by troubles in the subprime mortgage sector, credit market woes and liquidating hedge funds. In Canadian dollar terms, only two of the sectors posted positive returns. Energy and Materials were the positive performing sectors, while Financials and Consumer Discretionary led on the downside. Growth stocks outperformed value stocks for the first time since 1999. SPP's U.S. equity portfolio returned -9.9 per cent for the year.

	S&P 500 Weight (%)	Portfolio Weight (%)	Index Return (C$) (%)
Energy	12.9	10.6	12.3
Materials	3.3	3.9	1.8
Utilities	3.6	1.3	-1.8
Information Technology	16.8	14.5	-2.0
Consumer Staples	10.2	5.8	-5.4
Industrials	11.5	11.6	-6.9
Telecom Services	3.6	2.1	-8.0
SPP			**-9.9**
S & P 500			**-10.5**
Health Care	12.0	14.3	-10.6
Consumer Discretionary	8.5	15.7	-27.3
Financials	17.6	20.2	-32.9
Total	100.0	100.0	

Non-North American Equities

Top 10 Non-North American Equity Holdings in 2007	% of Portfolio		% of Portfolio
1. Cash (C$)	3.4	6. Total	1.3
2. Nestle SA	2.0	7. Royal Dutch Shell	1.3
3. Royal Bank of Scotland	1.6	8. Allied Irish Banks	1.2
4. Novartis	1.5	9. Petroleo Brasileiro	1.2
5. Adidas	1.3	10. Honda Motor	1.1

Non-North American equities, measured by the MSCI EAFE Index, gained 3.5% in local currency terms, however this was wiped out by the strength of the Canadian dollar, leaving the index at -5.7% in Canadian dollars terms. Currency effects were significant as all currencies within the MSCI EAFE Index depreciated relative to the Canadian dollar. Financials were the worst performing sector mainly due to the US sub-prime mortgage market. Materials were the top performing sector mainly due to mining. SPP's Non-North American equity portfolio returned -6.3 per cent for the year.

Country	EAFE Weight (%)	Portfolio Weight (%)	Index Return (C$) (%)
Finland	1.9	0.8	26.1
Hong Kong	2.4	4.0	19.8
New Zealand	0.1	0.1	17.6
Germany	9.4	5.3	14.5
Greece	0.8	0.6	12.7
Norway	1.1	1.6	11.5
Australia	6.5	3.6	8.8
Singapore	1.1	3.3	8.8
Denmark	0.9	1.1	6.5
Portugal	0.4	-	5.2
Spain	4.4	2.9	4.7
Netherlands	2.8	2.9	2.3
France	10.7	7.4	-4.0
MSCI EAFE			**-5.7**
SPP			**-6.3**
United Kingdom	22.2	19.6	-8.1
Italy	4.0	3.4	-10.1
Switzerland	6.7	9.5	-10.7
Austria	0.6	0.9	-13.3
Sweden	2.3	0.7	-14.7
Belgium	1.2	0.5	-17.5
Japan	19.9	12.7	-18.8
Ireland	0.6	3.5	-32.2
Emerging Markets	-	12.2	-
Cash	-	3.4	-
Total	100.0	100.0	

Fixed Income

The Canadian bond market, as measured by the DEX Universe Bond Index, gained 3.7 per cent in 2007. After raising interest rates by 25 basis points (bps) in July, competitive pressures of the Canadian dollar prompted the Bank of Canada to lower the overnight rate by 25 bps to 4.25 per cent at year end. The US Federal Reserve lowered rates by 50 bps to end the year at 4.25 per cent in an effort to stimulate the economy. All sectors posted positive returns, with Federal bonds benefiting from a flight to quality. SPP's bond portfolio earned 3.2 per cent.

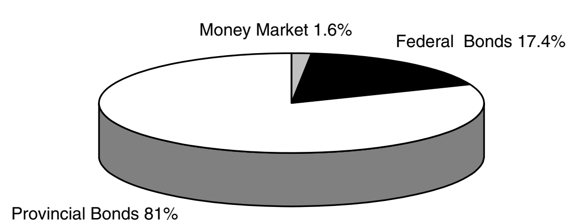
	DEX UBI Weight (%)	Portfolio Weight (%)	DEX UBI Return (%)
Federal	41.9	39.0	4.6
Provincial	27.9	23.1	4.2
Municipal	1.4	1.1	3.9
DEX UBI			**3.7**
SPP			**3.2**
Corporate	28.8	36.3	1.8
Cash		0.5	
Total	100.0	100.0	

Annuity Fund

Assets of retired members are held in the 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, 2007 were $91.0 million and there was an actuarial surplus of $4.7 million at that same date.

Bond interest rates remained low throughout the year and therefore annuity rates were also low, ranging between 3.4 per cent and 3.9 per cent for the year. The fund is managed by Greystone Managed Investments Inc. of Regina and the chart below shows the composition of the Annuity Fund assets as at December 31, 2007.

Annuity Fund Portfolio at December 31, 2007



Investment Policy Summary

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. The Board reviewed the policies on December 8, 2006 and any changes were effective January 1, 2007.

Contribution Fund

The Contribution Fund holds assets of members who have not yet retired. The assets are accumulated under a defined contribution or capital accumulation 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 by targeting a well diversified portfolio with a slight bias to equities over 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
- establishing investment benchmarks and asset component ranges at market value.

The Fund's strategic asset mix was changed in 2007. The potential impact of increasing the equity weighting was modeled and the analysis suggested that holding 55 per cent equities, equally weighted between foreign and Canadian Equities, would create an opportunity to increase the Fund's long term average return. Prior to the change, equal emphasis had been given to equities and fixed income.

Asset Mix

Asset Class	Minimum %	Maximum %	Benchmark %	Actual %
Canadian equities	14	24	19	19.8
US equities	13	23	18	18.3
Non-North American equities	13	23	18	17.9
Bonds	35	55	42	40.7
Short-term investments	0	10	3	3.3

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

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 Capped Composite Index;
- U.S. equities: S&P 500 Index (Cdn $);
- Non-North American equities: MSCI EAFE Index (Cdn $);

- Bonds: DEX Universe Bond Index; and
- Short-term investments: 91 day Canadian Treasury Bills.

Canadian and foreign equities are permitted investments. Equities are limited to those that are publicly traded on a recognized exchange and units of pooled funds. The combined equity and debt holdings of a single corporation and its associated or affiliated companies shall not represent more than 10 per cent of the total book value of the assets of the fund.

No one equity holding shall represent more than 10 per cent of the market value of the Investment Manager's total equity portfolio, more than 10 per cent of the voting shares of a corporation or more than 10 per cent of the available public float of such equity security. Investments in pooled funds should not exceed 10 per cent 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 per cent of the market value of the bond portfolio. Except for federal and provincial bonds, no more than 10 per cent of the market value of an Investment Manager's bond portfolio may be invested in bonds of a single issuer and its related companies and no one bond holding shall represent more than 10 per cent of the market value of the total outstanding for that bond issue. No more than 15 per cent of the market value of the bond portfolio shall be invested in bonds of foreign issuers. Foreign currency exposure is limited to 10 per cent of the market value of the bond portfolio and foreign pay bonds are allowed.

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

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 using 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.

Bonds must have a credit rating of at least “BBB” or equivalent at the time of purchase. No more than 15 per cent of the market value of the bond portfolio may be invested in 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 per cent of the market value of the bond portfolio may be invested in corporate bonds. No more than 10 per cent of the market value of the total portfolio may 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 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, 2007. 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, 2007; and
- Assumptions about future events (economic and demographic) which were developed by Aon Consulting.

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.

Original signed by	Original signed by
Donald L. Ireland Fellow, Canadian Institute of Actuaries	Paul Hebert Fellow, Canadian Institute of Actuaries

February 15, 2008

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 auditor, Deloitte & Touche LLP, in accordance with Canadian generally accepted auditing standards, on behalf of the Members of the Legislative Assembly of Saskatchewan.

Original signed by

Robert J. Devrome
Chairperson

Original signed by

Katherine Strutt
General Manager

February 15, 2008

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 (the Plan) as at December 31, 2007 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 net assets available for benefits of the Plan as at December 31, 2007 and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Original signed by

Chartered Accountants
Saskatoon, Canada

February 15, 2008

Statement of Net Assets Available for Benefits

As at December 31

	2007			2006		
	Contribution Fund	**Annuity Fund**	**Total**	**Contribution Fund**	**Annuity Fund**	**Total**
ASSETS						
Investments at market value (Notes 3 and 4)	$ 185,183,249	$ 90,380,575	$ 275,563,824	$ 189,406,924	$ 88,035,597	$ 277,442,521
Cash	349,482	70,783	420,265	314,721	162,499	477,220
Accrued investment income	671,919	988,907	1,660,826	777,756	917,134	1,694,890
Prepaid (deferred) retirement transfers	896,937	(896,937)	-	1,166,828	(1,166,828)	-
Prepaid pension benefits	-	619,313	619,313	-	591,109	591,109
Capital assets (Note 9)	-	-	-	2,610	1,053	3,663
Total assets	187,101,587	91,162,641	278,264,228	191,668,839	88,540,564	280,209,403
LIABILITIES						
Administrative expenses payable	539,491	99,892	639,383	803,985	83,926	887,911
Deaths and other benefits payable	191,748	26,168	217,916	224,037	64,701	288,738
Deferred member contributions	8,290	-	8,290	6,180	-	6,180
Provision for annuity benefits (Note 5)	-	86,324,581	86,324,581	-	83,069,937	83,069,937
Total liabilities	739,529	86,450,641	87,190,170	1,034,202	83,218,564	84,252,766
NET ASSETS AVAILABLE FOR BENEFITS	$ 186,362,058	$ 4,712,000	$ 191,074,058	$ 190,634,637	$ 5,322,000	$ 195,956,637

ON BEHALF OF THE TRUSTEES:

Original signed by

Robert J. Devrome, Chairperson

Original signed by

Linda Kezima

(See Accompanying Notes)

Statement of Changes in Net Assets Available for Benefits

For the year ended December 31

	2007			2006		
	Contribution Fund	Annuity Fund	Total	Contribution Fund	Annuity Fund	Total
INCREASE IN ASSETS						
Investment income						
Interest and other income	$ 3,445,306	$ 4,626,459	$ 8,071,765	$ 3,469,938	$ 4,449,383	$ 7,919,321
Dividends	1,366,123	-	1,366,123	1,214,801	-	1,214,801
Pooled funds	4,876,490	-	4,876,490	2,189,999	-	2,189,999
	9,687,919	4,626,459	14,314,378	6,874,738	4,449,383	11,324,121
Change in market value of investments	(8,410,293)	(937,908)	(9,348,201)	16,082,995	(1,094,177)	14,988,818
Contributions	6,990,365	-	6,990,365	6,379,004	-	6,379,004
Transfers from Contribution Fund	-	6,889,212	6,889,212	-	6,909,050	6,909,050
	8,267,991	10,577,763	18,845,754	29,336,737	10,264,256	39,600,993
DECREASE IN ASSETS						
Annuities to pensioners	-	7,222,326	7,222,326	-	6,832,598	6,832,598
Change in provision for annuity benefits (Note 5)	-	3,254,643	3,254,643	-	1,380,179	1,380,179
Administrative expenses (Note 8)	1,773,259	452,776	2,226,035	1,634,451	398,196	2,032,647
Transfers to other plans	3,412,744	-	3,412,744	3,406,803	-	3,406,803
Transfers to Annuity Fund	6,889,212	-	6,889,212	6,909,050	-	6,909,050
Deaths and other benefits	465,355	258,018	723,373	436,622	296,283	732,905
	12,540,570	11,187,763	23,728,333	12,386,926	8,907,256	21,294,182
Change in net assets	(4,272,579)	(610,000)	(4,882,579)	16,949,811	1,357,000	18,306,811
NET ASSETS AVAILABLE FOR BENEFITS BEGINNING OF YEAR	190,634,637	5,322,000	195,956,637	173,684,826	3,965,000	177,649,826
NET ASSETS AVAILABLE FOR BENEFITS END OF YEAR	$ 186,362,058	$ 4,712,000	$ 191,074,058	$ 190,634,637	$ 5,322,000	$ 195,956,637

(See Accompanying Notes)

Notes to the Financial Statements

For the year ended December 31, 2007

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 2007, the prescribed amount was $18.21 (2006: $17.54).

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 recorded as of the trade date (the date upon which the substantial risks and rewards are transferred). Realized gains and losses and unrealized appreciation or depreciation of investments are reflected in the change in market value. The Plan follows the accrual method for the recording of income and expenses. Dividend income is recognized based on the date of record.

(b) Investments

(i) Contribution Fund

Investments comprising of bonds and equities are stated at market value. Bonds are valued on the basis of quoted mid market prices (average of bid and ask price). If quoted mid market prices are not available, values are determined using year end bid prices. Equities are valued at quoted closing price or in the absence of recorded sales by referring to closing bid 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 price.

(ii) Annuity Fund

Bonds are stated at market value as determined by reference to quoted mid market prices. Funds are transferred from the Contribution Fund 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. Money market investments, comprising of treasury bills and bankers acceptances, are recorded at cost, which approximates market value.

(c) Foreign Currency Translation

Assets and liabilities denominated in foreign currency are translated into Canadian dollars at the exchange rate in effect at year-end. Investments, revenues 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, deaths 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 using the straight-line method at rates intended to amortize them over their estimated useful life. The estimated useful life of computer equipment is three years. Assets costing less than the above threshold are expensed in the year of purchase.

(f) Future Accounting Changes - Financial Instruments

In December 2006, the CICA issued Section 3863, “Financial Instruments – Presentation”, to enhance financial statement users’ understanding of the significance of financial instruments to an entity’s financial position, performance and cash flows. In March 2007, the CICA issued Section 3862, “Financial Instruments – Disclosures”, which replaces Section 3861 and provides expanded disclosure requirements that provide additional detail by financial asset and liability categories. These standards harmonize disclosure with the International Financial Reporting Standards. These sections apply to financial statements relating to fiscal years beginning on or after October 1, 2007 and are not expected to have a material impact on the Plan’s financial statements.

3. Contribution Fund Investments

	2007	2006
Money market	$ 6,166,962	$ 2,167,191
Bonds	65,681,205	73,194,031
Equities	70,523,739	71,942,500
Pooled funds	42,811,343	42,103,202
	$ 185,183,249	$ 189,406,924

(a) Money Market

	2007			2006		
	Average Term (in days)	Effective Interest Rate (percent)	Market Value	Average Term (in days)	Effective Interest Rate (percent)	Market Value
Money market	105	4.5	$ 6,166,962	104	4.3	$ 2,167,191

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. The Plan's holdings meet this rating. Other than the Government of Canada, no single issuer represents more than 25.8 % (2006: 13.7%) of the money market portfolio.

(b) Bonds

2007

Years to maturity	Federal	Provincial	Municipal	Corporate	Total
Less than 1	$ -	$ -	$ -	$ 232,882	$ 232,882
1 to 5	23,338,147	1,446,087	-	6,984,064	31,768,298
6 to 10	1,517,139	2,919,574	510,176	6,475,010	11,421,899
Greater than 10	3,686,383	11,044,021	341,060	7,186,662	22,258,126
	$ 28,541,669	$ 15,409,682	$ 851,236	$ 20,878,618	$ 65,681,205

2006

Years to maturity	Federal	Provincial	Municipal	Corporate	Total
Less than 1	$ -	$ -	$ -	$ 200,020	$ 200,020
1 to 5	23,609,195	1,805,193	-	7,086,938	32,501,326
6 to 10	6,400,667	3,143,863	755,143	5,036,043	15,335,716
Greater than 10	8,681,916	10,290,885	164,887	6,019,281	25,156,969
	$ 38,691,778	$ 15,239,941	$ 920,030	$ 18,342,282	$ 73,194,031

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. At year end the Plan held bonds with a BBB rating of 4.8% (2006: 3.8%) and all other bonds were rated higher. Other than the Government of Canada, no single issuer represents more than 6.1% (2006: 6.7%) of the overall bond portfolio. Fixed rate bonds have effective interest rates ranging between 3.8% and 9.9% (2006: 4.0% and 5.9%) and coupon rates ranging between 3.6% and 8.8% (2006: 3.6% and 11.3%).

The portfolio contains bonds that the Plan holds directly, including private placement bonds and bonds issued by foreign entities, all denominated and paid in Canadian dollars.

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

	2007	2006
Canadian shares	$ 36,547,236	$ 43,109,849
United States shares	33,976,503	28,832,651
	$ 70,523,739	$ 71,942,500

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 1.9% (2006: 1.8%).

(d) Pooled Funds

	Units Held		% of Total Units		Market Value	
	2007	2006	2007	2006	2007	2006
Leith Wheeler Total Return Bond Fund	955,057	895,591	2.3%	2.8%	$ 9,639,027	$ 9,285,593
Leith Wheeler International Fund	1,000,541	922,348	1.5%	1.8%	16,216,343	18,854,434
Greystone EAFE Plus Fund	1,670,539	1,156,371	1.0%	0.9%	16,955,973	13,963,175
					$ 42,811,343	$ 42,103,202

The Plan limits its investments in a single pooled fund to not 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.

The pooled bond fund contains Canadian federal, provincial and corporate bonds, some private placement bonds and bonds issued by foreign entities, all denominated and paid in Canadian dollars. This fund has in place bond future exchange contracts to manage interest rate risk. The Greystone EAFE Plus Fund uses derivatives for hedging currency and to replicate indexes.

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

The Plan manages interest rate risk by establishing a target asset mix that provides for a mix of interest-sensitive investments and investments subject to other risks. Interest-sensitive investments are actively managed to mitigate or take advantage of changes in interest rates.

The Fund holds approximately 44.0% (2006: 44.7%) of its investments in fixed income securities and 56.0% (2006: 55.3%) in equities at December 31, 2007.

Credit Risk
Credit risk arises from the potential for security issuers to default on their contractual obligation to the Fund. The Plan limits credit risk by setting investment restrictions within the Investment Policy and by dealing with issuers that are considered to be high quality. At December 31, 2007 the Fund's maximum credit risk exposure relates to bonds, accrued income and short-term investments totaling $82,012,534 (2006: $85,177,287).

Foreign Currency Risk
The Plan is exposed to currency risk through holding of foreign equities and foreign pay bonds where investment values may fluctuate due to changes in foreign exchange rates. The Plan manages foreign currency risk by limiting investment in foreign funds and by investing in securities that are strategically distributed over several geographic

areas to limit exposure to any one foreign currency. At December 31, 2007, the Fund's foreign currency exposure was $67,148,819 (2006: $61,650,260).

The use of derivatives may be used as a strategy to mitigate the risk of foreign currency fluctuations. No derivatives can be used for speculative trading or to create a portfolio with leverage.

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.

(f) Investment Performance

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

	Annual Return		Rolling Four Year Return	
	2007	**2006**	**2007**	**2006**
Portfolio return	0.65%	13.5%	8.98%	12.0%
Benchmark return	0.54%	11.5%	7.64%	10.5%

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. The indices used to measure performance are Canadian equities: S&P/TSX Capped Composite Index; U.S. equities: S&P 500 Index (Cdn $); Non-North American equities: MSCI EAFE Index (Cdn $); Bonds: DEX Universe Bond Index; and Short-term investments: 91 day Canadian Treasury Bills.

4. Annuity Fund Investments

	2007	2006
Money market	$ 1,424,038	$ 1,204,858
Bonds	88,956,537	86,830,739
	$ 90,380,575	$ 88,035,597

(a) Money Market

	2007			2006		
	Average Term (in days)	Effective Interest Rate (percent)	Market Value	Average Term (in days)	Effective Interest Rate (percent)	Market Value
Money market	49	4.1	$ 1,424,038	53	4.2	$ 1,204,858

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. The Plan's holdings meet this rating. Other than the Government of Canada, no single issuer represents more than 43.3% (2006: 90.5%) of the money market portfolio.

(b) Bonds

2007

Years to maturity	Federal	Provincial	Corporate	Total
Less than 1	$ 1,516,258	$ 1,725,274	$ -	$ 3,241,532
1 to 5	4,460,967	9,529,017	-	13,989,984
6 to 10	2,050,396	22,283,073		24,333,469
Greater than 10	7,711,822	39,679,730	-	47,391,552
	$ 15,739,443	$ 73,217,094	$ 0	$ 88,956,537

2006

Years to maturity	Federal	Provincial	Corporate	Total
Less than 1	$ 497,546	$ 1,829,015	$ -	$ 2,326,561
1 to 5	5,990,988	7,015,461	-	13,006,449
6 to 10	2,066,599	22,133,034	676,442	24,876,075
Greater than 10	6,741,023	39,880,631	-	46,621,654
	$ 15,296,156	$ 70,858,141	$ 676,442	$ 86,830,739

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. At year end the Plan held bonds with a BBB rating of 0% (2006: 0%) and all other bonds were rated higher. 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 16.2% (2006: 15.6%) of the overall bond portfolio. Fixed rate bonds have effective interest rates ranging between 3.0% and 4.8% (2006: 3.9% and 4.7%). 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 Fund's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Fund's assets and liabilities. Interest rate risk is managed by investing in fixed income investments that provide cash flows that match payments to annuitants.

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 Fund. The Plan limits the credit risk by dealing with issuers that are considered to be high quality. At December 31, 2007 the Fund's maximum credit risk exposure relates to bonds, accrued income and short-term investments totaling $91,369,459 (2006: $88,952,714).

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 3.4% (2006: 2.9%) was used to determine the liabilities as of December 31, 2007. The 1994 Group Annuity Mortality Table rates projected to 2022 with a 5% margin were used for actuarial valuation. At December 31, 2006 the 1994 Static Group Annuity Mortality Table rates were used. The duration of annuity payments is 7.8 years.

The annual change in the liability is recorded in the Statement of Changes in Net Assets Available for Benefits. The principal components of the change in the provision for annuity benefits during the year are summarized below:

	2007	2006
Liability, beginning of year	$ 83,069,937	$ 81,689,758
Interest on liabilities	2,434,000	2,189,000
Increase in liability due to new annuities	7,250,000	7,466,000
Annuities paid with interest	(7,247,000)	(6,869,000)
Mortality experience	423,644	340,179
Change in Mortality assumption	3,990,000	-
Change in interest rate	(3,596,000)	(1,746,000)
	3,254,644	1,380,179
Liability, end of year	$ 86,324,581	$ 83,069,937

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 liabilities 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, 2007 and 2006, the Annuity Fund was in a surplus position.

Actual results may vary from the assumptions used. If the interest rate used increases by 1.0%, the Provision for Annuity Benefits decreases by $5,328,000 or if the interest rate decreases by 1.0%, the Provision for Annuity Benefits increases by $6,092,000.

The expected cash inflows from investment income and maturity payments and the expected outflows to pay annuity benefits are based on actual dollar forecasts without any provision for inflation. The total estimated net cash inflows for the next five years are $4.3 million and for the next ten years $8.6 million.

6. Earnings Allocation to Members

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

7. Related Party Transactions

The Plan conducts a portion of its transactions with Saskatchewan Crown-controlled agencies, ministries and corporations. These transactions are at the agreed upon exchange rates and are settled on normal trade terms. During the year, the Plan incurred operating expenses of approximately $174,736 (2006: $161,504) and at year end had $147,464 (2006: $98,095) in accounts payable with these related parties.

At December 31, 2007, the Plan has $5,476,986 market value (2006: $4,621,591) invested in Province of Saskatchewan bonds with varying maturity dates and interest rates. Interest income during the year was approximately $278,608 (2006: $276,576) and change in the market value of these bonds was approximately $855,395 (2006: -$97,319).

8. Administrative Expenses

Administrative expenses are allocated to the Funds as prescribed by Board policy.

	2007	2006
Salaries and wages	$ 802,200	$ 694,031
Professional and technical services	692,993	645,578
Advertising and promotional	326,999	304,534
Computer expense	137,058	146,033
Facility and equipment rental (Note 10)	133,231	92,135
Telephone, freight and postage	57,682	53,907
Office supplies	21,868	18,729
Other contractual	19,677	15,748
Board honorariums and expenses	19,541	35,300
Travel	11,123	12,001
Amortization	3,663	14,651
Total Administrative Expenses	$ 2,226,035	$ 2,032,647
Allocated as Follows:		
Contribution fund	$ 1,773,259	$ 1,634,451
Annuity fund	452,776	398,196
	$ 2,226,035	$ 2,032,647

9. Capital Assets

Capital assets at cost less accumulated amortization:

			2007	2006
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	$91,033	$91,033	$0	$3,663

10. Lease Commitment

The Plan is committed to an operating lease for office space to January 31, 2012 with minimum annual lease payments of $98,785 due to a related party.

11. Comparative Figures

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