Saskatchewan Pension Plan

Annual Report
for the year ending
December 31, 2008

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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, 2008.

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, 2008.

Respectfully submitted,

ORIGINAL SIGNED BY:

Robert J. Devrome
Chairperson
Saskatchewan Pension Plan Board of Trustees

Chairperson's Message

Stock markets around the world experienced some of their greatest volatility in years during 2008. By the end of the year all financial markets except bonds lost significant value, leaving investors nervous and uncertain. Although conditions in financial markets have been unstable this year, history has shown that markets typically rebound very strongly after a significant drop in value.

Part of the Board's fiduciary obligation to members is to safeguard assets in the Plan. Institutional investors like SPP need to make carefully deliberated decisions about asset allocation—the proportion of the portfolio that can be invested in the different asset classes. The Statement of Investment Policy and Goals is the tool developed by the Board and used by the investment managers to guide the strategic and tactical investment decisions for the Fund. The policy takes a long-term view of investing and the Board is confident that it will produce good results for members over time. However, we also recognize this long-term strategy can sometimes cause short-term losses to members. The policy is reviewed and revised where necessary each year.

Most investment professionals are forecasting an end to the current recession although no one can pinpoint exactly when that end will be. The Fund is positioned to capture gains when the markets rebound.

We understand and appreciate the concerns of our members when investment returns are low. The Board continues to focus on growth of assets so that members will experience greater financial security in retirement.

This year netted strong results for our corporate goals showing both member and contribution increases despite market conditions. This success is largely attributed to the support received each year from members. The Board welcomes and encourages feedback from members as we chart future direction for the Plan.

I would like to thank Linda Kezima, whose term on the Board ended in 2008, for the expertise she brought to the organization during her four years of service.

In the year ahead, the Board is looking forward to continuing its efforts with respect to increasing the maximum contribution to the Plan.

Respectfully submitted,

ORIGINAL SIGNED BY:

Robert J. Devrome
Chairperson
Saskatchewan Pension Plan Board of Trustees

General Manager's Message

Market performance dominated the headlines throughout the year and at December 31 most indices posted significant negative returns. While it is difficult to see the value of our Contribution Fund decline, it is important to remember that SPP is a well diversified and professionally managed fund containing high quality investments that will see improved returns in the future. The return applied to member accounts at year-end was -16.2%.

Despite market conditions, SPP achieved growth in strategic areas in 2008. New members totaled 1,249 and over 400 members retired in the year. SPP has been successful marketing itself to both new and existing members and continues to focus on attracting younger members and employees of small businesses.

This growth has earned SPP the rank of 40th largest money purchase pension plan in Canada. Over its 23 year history SPP has evolved into a company trusted by more than 30,000 people to provide retirement savings. SPP recognizes the confidence and trust members have demonstrated by investing in the Plan.

The Board and staff of SPP are committed to providing excellent service to its members at a reasonable cost. Administration expenses are paid from investment earnings and the expense ratio has consistently been less than one per cent or less.

Access to pensions has been a topic of discussion in the public policy arena this year. There is interest in improving employee access to pension plans. The rest of the country is now interested in what Saskatchewan has been doing for nearly a quarter century.

I would like to thank the Board of Trustees and Plan staff for their commitment to fulfilling the vision and mission of SPP. In the year ahead our focus will continue to be monitoring investment performance, effective control of expenses and progress toward achieving an increase to the maximum contribution to the Plan.

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

Saskatchewan Pension Plan's (SPP) strategic direction represents how the Plan will fulfill its mission to "grow through the provision of a superior investment opportunity that results in enhanced financial security at retirement". The process to determine strategic direction includes examination of the external environment and the company's core areas of strength and weakness. This exercise helps the Plan understand and define its challenges and opportunities. The priorities during each phase of the process are to provide appropriate service to stakeholders and to keep the Plan relevant and viable while fulfilling the organization's mission.

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.

SPP values the loyalty demonstrated and input provided by its members. Their satisfaction is tracked using a set of service standards developed for all aspects of plan operations. Input from members is core in the strategic planning process.

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

Goal 1: Increase the Maximum Contribution

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 2008 and it will continue to be the focus for the Board of Trustees in 2009.

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.

New Member Profile

- 1,249 people joined SPP in 2008.
- 80 per cent identified themselves as full-time, part-time or self employed.
- Average age of new members in 2008 was 37.2 years.

Goal 3: Growth of SPP assets

Contributions received from members during the year totalled $7.2 million, more than 2.6 per cent ahead of 2007 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, 2008 were $155.7 million and $93.6 million in the Annuity Fund.

Goal 4: Optimize member satisfaction

Prudent administration is part of the Plan's fiduciary obligation to members and impacts members' satisfaction. A measure of success in this area is the expense ratio which was 1.0 per cent for the Contribution Fund and 0.4 per cent for the Annuity Fund in 2008.

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 maximum contribution to the Plan.

Plan Operations

SPP is a voluntary, capital accumulation plan available to anyone between 18 and 71 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, 2008, SPP had 32,772 members (2007: 32,080).

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
- 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 2008 the toll-free line received 12,250 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 2008, 12,157 members contributed to SPP with an average contribution of $590 (2007: 11,833; $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 Report section (page 13) and the Investment Policy Summary (page 17).

> 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 71. 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 2008, pensions under $18.71 per month qualified for this option.

Each annuity the Plan offers will pay the recipient 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

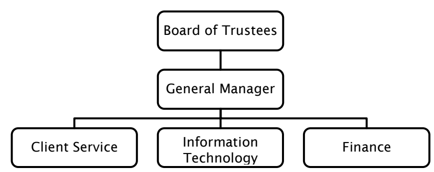
- 423 members retired in 2008.
- Average monthly pension for new retirees was $113.
- Highest monthly pension was $346.
- 11,554 members received a pension from SPP at the end of 2008.
- 235 members started a pension in 2008 at an average age of 65 years.
- 142 members transferred into other retirement income vehicles.
- 46 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, Tim Calibaba, 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.

SPP Board of Trustees

From left to right: Owen Sebastian, Meghan McCreary, Robert Devrome, Gloria Blanchard and Tim Calibaba.

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	66
Retired	34

Sex	*%*
Female	72
Male	28

Occupation	*%*
Homemaker	23
Farmer	9
Self Employed	11
Full time	25
Part time	23
Student	5
Other	4

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

Investment Report

2008 was truly an extraordinary year and one that investors would like to put behind them. Amid the volatility and broad based declines across nearly all asset classes, no one anticipated the speed of devastation investors experienced at all levels. All major indexes posted negative returns in the year.

2008 Market returns	
S&P/TSX Composite Index	-33.0%
S&P 500 Index (C$)	-21.2%
MSCI EAFE Index (C$)	-29.2%
DEX Universe Bond Index	6.4%

During the year, there was a reversal of a number of trends that were dominant for five years. These trends included the strong performance by commodities, the Canadian stock market, the Canadian dollar and emerging markets. The S&P/TSX index closed at an all time high of 15,073 on June 18. In mid-July, oil prices reached a record $147 a barrel and the Canadian dollar was roughly on par with the U.S. dollar. By mid December, oil had declined 70 per cent to $45 a barrel, the S&P/TSX was trading down 44 per cent from its high and the dollar was worth US$0.82.

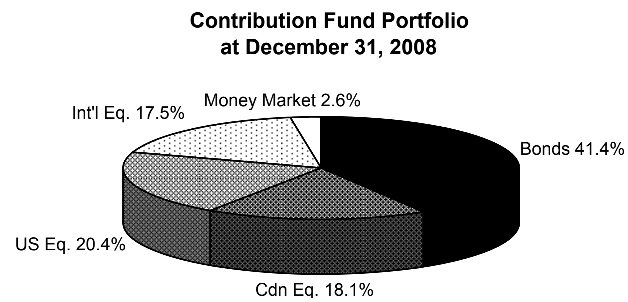
The credit crisis that originated in 2007 began to have significant impact in 2008. Many financial institutions around the globe had exposure to U.S. mortgage-backed securities and when these became illiquid, it fuelled a broader downturn in the U.S. financial sector. This downturn, combined with the decline in U.S. property values, had a significant impact on all global equity markets. As the credit crisis spread, central banks around the world lowered interest rates. The Bank of Canada lowered the overnight rate by 275 basis points (bps) due to a weakened outlook on the economy. The U.S. Federal Reserve dropped interest rates by 400 bps and established a target range for the Federal fund rates of 0 to 0.25 per cent. This move did little to help stimulate the economy as the benefits of lower rates did not translate into increased lending by the banks.

Contribution Fund

SPP Return History	
2008	-16.2%
5 year average	2.7%
10 year average	4.6%
Since inception (23 years)	8.0%

The market value of SPP Contribution Fund (CF) decreased from $186.4 million at the end of 2007 to $155.7 million at the end of 2008. This represents a return of -16.2 per cent after administration costs, which was allocated to members' accounts at year end. The historic rates of return are shown in the table.

The CF is structured to provide long term capital growth and holds a mixture of equities and fixed income investments. The chart below shows the portfolio's actual asset mix at December 31, 2008.



The following is a summary of the CF performance by asset class in 2008. The rates of return used exclude administration fees which allows for a valid comparison to benchmarks. SPP's year-end return was -15.4 per cent compared to a benchmark of -13.6 per cent.

Canadian Equities

Top 10 Canadian Equity Holdings in 2008

	% of Portfolio		% of Portfolio
1. Encana	7.3	6. Shoppers Drug Mart	4.9
2. Toronto Dominion Bank	6.4	7. Saputo	4.8
3. Manulife Financial Corp	5.9	8. Royal Bank of Canada	4.2
4. Bank of Nova Scotia	5.3	9. Rogers Communications	3.4
5. Nexen	4.9	10. Finning International	3.2

Investment Report

The S&P/TSX Composite Index posted a return of -33.0 per cent for the year. All ten sectors finished the year with negative returns. Consumer Staples was the top performing sector at -6.1 per cent while Information Technology and Financials were the worst performing sectors. Small cap stocks, as measured by BMO SC Index, significantly underperformed large cap stocks.

SPP's Canadian equity portfolio provided a return of -33.3 per cent. Our investment managers were overweight in the Financials and Small caps sectors and as a result underperformed the benchmark.

The chart below shows the sector weighting of each portion of the SPP Canadian equity portfolio as at December 31, 2008. Similar information is provided for U.S. equities, Non-North American equities and bonds.

	S&P/TSX Weight (%)	Portfolio Weight (%)	Index Return (%)
Consumer Staples	3.4	11.0	-6.1
Utilities	1.9	1.3	-20.5
Telecom Services	6.0	5.8	-24.9
Industrials	6.1	14.5	-25.1
Materials	17.6	8.2	-26.5
Health Care	0.4	0.0	-30.2
S&P/TSX 300			**-33.0**
SPP			**-33.3**
Energy	27.4	23.0	-33.9
Consumer Discretionary	4.7	3.7	-35.4
Financials	29.2	27.7	-36.5
Information Technology	3.3	4.8	-54.2
Total	100.0	100.0	

U.S. Equities

Top 10 U. S. Equity Holdings in 2008	% of Portfolio		% of Portfolio
1. Tim Hortons	3.7	6. Markel	2.5
2. Pfizer	3.1	7. Microsoft	2.3
3. Johnson & Johnson	2.8	8. McDonalds	2.2
4. Wal Mart Stores	2.6	9. Merck & Co.	2.1
5. Berkshire Hathaway	2.5	10. Kroger Company	2.0

The S&P 500 returned -37.0 per cent in US$ with the return increasing to -21.2 per cent in C$, due to our currency decline. In Canadian dollar terms, only one of the ten sectors (Consumer Staples) posted a positive return. Financials and Materials were the worst performing sectors. Growth stocks outperformed value stocks by a wide margin and both small cap stocks and mid cap stocks outperformed large cap stocks. Markets were plagued by troubles in the subprime mortgage sector, credit market woes and liquidating hedge funds. Financials led the downside as several banks took write-downs.

SPP's U.S. equity portfolio returned -19.4 per cent. The managers outperformed the benchmark as a result of their stock selection in the Financial sector and positive currency gains.

	S&P 500 Weight (%)	Portfolio Weight (%)	Index Return (C$) (%)
Consumer Staples	12.9	11.9	4.3
Health Care	14.8	18.6	-4.4
Utilities	4.2	0.4	-12.8
Telecom Services	3.8	0.0	-16.2
Consumer Discretionary	8.4	15.8	-17.5
Energy	13.3	7.9	-18.8
SPP			**-19.4**
S & P 500			**-21.2**
Industrials	11.1	14.1	-25.8
Information Technology	15.2	13.2	-27.8
Materials	3.0	5.2	-32.8
Financials	13.3	12.9	-45.8
Total	100.0	100.0	

Non-North American Equities

Top 10 Non-North American Equity Holdings in 2008	% of Portfolio		% of Portfolio
1. Cash (C$)	4.5	6. CRH	1.9
2. Novartis	3.6	7. Royal Dutch Shell	1.7
3. Nestle SA	3.6	8. Honda Motor	1.6
4. Total	2.1	9. Ono Pharmaceutical	1.5
5. CLP Holdings	1.9	10. Singapore Telecom	1.5

Non-North American equities, as measured by the MSCI EAFE Index, returned -40.3 per cent in local currency terms and -29.2 per cent in Canadian dollar terms. Currency effects were significant as two-thirds of the currencies within the Index appreciated versus the Canadian dollar. Financials were the worst performing sector in 2008, which was mainly due to its exposure to the U.S. sub-prime mortgage market. Health Care was the top performing sector at 1.4 per cent. All 21 countries within the Index had double digit negative returns which ranged from -11.5 per cent (Japan) to -64.9 per cent (Ireland). Emerging markets trailed developed markets by a wide margin.

SPP's Non-North American equity portfolio returned -31.2 per cent. The portfolio's underweight position in Japan and overweight positions in Ireland and emerging markets had a negative impact on the performance of the fund.

Country	EAFE Weight (%)	Portfolio Weight (%)	Index Return (C$) (%)
Japan	25.3	21.0	-11.5
Switzerland	8.4	11.5	-13.0
Spain	4.5	1.9	-25.7
France	10.9	6.4	-29.0
MSCI EAFE			**-29.2**
SPP			**-31.2**
Germany	8.7	6.2	-32.3
Singapore	1.1	3.5	-34.1
Denmark	0.8	0.8	-34.4
Netherlands	2.4	1.8	-35.2
United Kingdom	19.8	17.6	-35.4
Sweden	2.0	0.3	-37.3
Italy	3.7	3.2	-37.4
Australia	6.0	2.6	-38.3
Hong Kong	2.0	3.5	-39.0
Portugal	0.3	0.0	-40.1
New Zealand	0.1	0.0	-42.2
Finland	1.4	0.6	-43.9
Norway	0.6	0.3	-55.3
Greece	0.5	0.1	-57.5
Belgium	0.8	0.2	-58.1
Austria	0.3	0.1	-60.5
Ireland	0.3	2.6	-64.9
Emerging Markets	0.1	12.8	-
Cash	-	3.0	-
Total	100.0	100.0	

Fixed Income

The Canadian bond market, as measured by the DEX Universe Bond Index, gained 6.4 per cent in 2008 as investors sought the protection of fixed income instruments amidst volatile equity markets. All sectors posted positive returns, with Federal bonds benefiting from a flight to quality. Mid-term and long term bonds both trailed shorter term bonds, while T-Bills returned 2.6 per cent. Federal issues finished ahead of corporate bonds on all maturity ranges as credit spreads widened due to low liquidity in the market.

SPP's bond portfolio earned 2.3 per cent for the year. The managers underperformed as a result of an overweight position in corporate bonds and an underweight position in Federal bonds.

	DEX UBI Weight (%)	Portfolio Weight (%)	Index Return (%)
Federal	45.5	22.0	11.5
DEX UBI			**6.4**
Municipal	1.4	2.1	5.9
Provincial	25.7	24.2	5.3
SPP			**2.3**
Corporate	27.4	50.7	0.2
Cash		1.0	
Total	100.0	100.0	

Investment Report

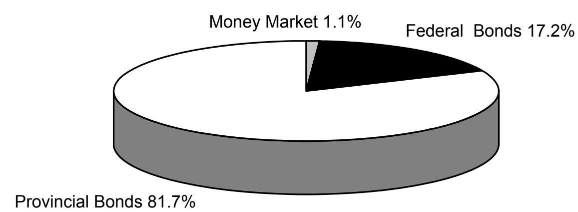
Annuity Fund

The Annuity Fund's (AF) purpose is to provide lifetime retirement annuities to members. The fund is structured in such a way to provide adequate cash to meet pension payments in the early years and to immunize the portfolio beyond. Immunization is a strategy that matches the duration of assets and liabilities to minimize the impact of changes in interest rates.

The AF consists of high quality bonds and short term investments and unlike the CF, it does not hold any equities as investments. Total assets of the fund at December 31, 2008 were $93.6 million and there was an actuarial surplus of $4.1 million on 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 4.2 per cent for the year. The fund is managed by Greystone Managed Investments Inc. of Regina and the chart below shows its composition as at December 31, 2008.

Annuity Fund Portfolio at December 31, 2008



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 7, 2007 and any changes were effective January 1, 2008.

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 is unchanged for 2008 and is shown in the table below. The asset mix provides a targeted weight of 55 per cent for equities and 45 per cent for fixed income.

Asset Mix

Asset Class	Minimum %	Maximum %	Benchmark %	Actual %
Canadian equities	14	24	19	18.1
US equities	13	23	18	20.4
Non-North American equities	13	23	18	17.5
Bonds	35	55	42	41.4
Short-term investments	0	10	3	2.6

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. Investments in 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 20 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 30 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 instruments. 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, 2008. 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, 2008; 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:

Donald L. Ireland
Fellow, Canadian Institute of Actuaries

February 13, 2009

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	Katherine Strutt General Manager

February 13, 2009

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, 2008 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, 2008 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:

Deloite & Touche LLP

Chartered Accountants
Saskatoon, Canada

February 13, 2009

Statement of Net Assets Available for Benefits

As at December 31

	2008			2007		
	Contribution Fund	**Annuity Fund**	**Total**	**Contribution Fund**	**Annuity Fund**	**Total**
ASSETS						
Investments at market value (Notes 3 and 4)	$ 154,646,192	$ 92,226,791	$ 246,872,983	$ 185,183,249	$ 90,380,575	$ 275,563,824
Cash	308,050	100,888	408,938	349,482	70,783	420,265
Accrued investment income	606,411	1,015,735	1,622,146	671,919	988,907	1,660,826
Prepaid (deferred) retirement transfers	320,668	(320,668)	-	896,937	(896,937)	-
Prepaid pension benefits	-	633,130	633,130	-	619,313	619,313
Total assets	155,881,321	93,655,876	249,537,197	187,101,587	91,162,641	278,264,228
LIABILITIES						
Administrative expenses payable	137,138	43,703	180,841	539,491	99,892	639,383
Deaths and other benefits payable	66,306	17,641	83,947	191,748	26,168	217,916
Deferred member contributions	5,077	-	5,077	8,290	-	8,290
Provision for annuity benefits (Note 5)	-	89,521,532	89,521,532	-	86,324,581	86,324,581
Total liabilities	208,521	89,582,876	89,791,397	739,529	86,450,641	87,190,170
NET ASSETS AVAILABLE FOR BENEFITS	$ 155,672,800	$ 4,073,000	$ 159,745,800	$ 186,362,058	$ 4,712,000	$ 191,074,058

ON BEHALF OF THE TRUSTEES:

ORIGINAL SIGNED BY:

Robert J. Devrome, Chairperson   Owen Sebastian

(See Accompanying Notes)

Statement of Changes in Net Assets Available for Benefits

For the year ended December 31

	2008			2007		
	Contribution Fund	Annuity Fund	Total	Contribution Fund	Annuity Fund	Total
INCREASE IN ASSETS						
Investment income						
Interest and other income	$ 3,082,074	$ 4,840,205	$ 7,922,279	$ 3,445,306	$ 4,626,459	$ 8,071,765
Dividends	2,156,835	-	2,156,835	1,366,123	-	1,366,123
Pooled funds	1,980,982	-	1,980,982	4,876,490	-	4,876,490
	7,219,891	4,840,205	12,060,096	9,687,919	4,626,459	14,314,378
Change in market value of investments	(35,540,971)	1,006,764	(34,534,207)	(8,410,293)	(937,908)	(9,348,201)
Contributions	7,169,619	-	7,169,619	6,990,365	-	6,990,365
Transfers from Contribution Fund	-	4,914,127	4,914,127	-	6,889,212	6,889,212
	(21,151,461)	10,761,096	(10,390,365)	8,267,991	10,577,763	18,845,754
DECREASE IN ASSETS						
Annuities to pensioners	-	7,502,262	7,502,262	-	7,222,326	7,222,326
Change in provision for annuity benefits (Note 5)	-	3,196,951	3,196,951	-	3,254,643	3,254,643
Administrative expenses (Note 8)	1,706,292	404,411	2,110,703	1,773,259	452,776	2,226,035
Transfers to other plans	2,686,876	-	2,686,876	3,412,744	-	3,412,744
Transfers to Annuity Fund	4,914,128	-	4,914,128	6,889,212	-	6,889,212
Deaths and other benefits	230,501	296,472	526,973	465,355	258,018	723,373
	9,537,797	11,400,096	20,937,893	12,540,570	11,187,763	23,728,333
Change in net assets	(30,689,258)	(639,000)	(31,328,258)	(4,272,579)	(610,000)	(4,882,579)
NET ASSETS AVAILABLE FOR BENEFITS BEGINNING OF YEAR	186,362,058	4,712,000	191,074,058	190,634,637	5,322,000	195,956,637
NET ASSETS AVAILABLE FOR BENEFITS END OF YEAR	$ 155,672,800	$ 4,073,000	$ 159,745,800	$ 186,362,058	$ 4,712,000	$ 191,074,058

(See Accompanying Notes)

Notes to the Financial Statements

For the year ended December 31, 2008

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 71. 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 2008, the prescribed amount was $18.71 (2007: $18.21).

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). The Plan follows the accrual method for the recording of income and expenses. Dividend income is recognized based on the date of record. Realized gains and losses and unrealized appreciation or depreciation of investments are reflected in the change in market value.

(b) Investments

(i) Contribution Fund

Investments comprising of bonds and equities are stated at fair 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) Financial Instruments – Disclosures and Presentation

Effective on January 1, 2008, the Plan adopted Section 3862 *"Financial Instruments – Disclosures"* and Section 3863 *"Financial Instruments – Presentation"* which replaces the disclosure requirements of Section 3861 *'Financial Instruments – Disclosure and Presentation"*. Section 3862 requires the disclosure of the nature and extent of risks arising from financial instruments and how those risks are managed. Section 3863 carries forward the presentation requirements and provides additional guidance for the classification of financial instruments.

(g) Future Accounting Changes

The Canadian Accounting Standards Board will require all publicly accountable companies to adopt International Financial Reporting Standards ("IFRS") for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011, including the restatement of comparative period financial statements on the same basis. The transition from Canadian GAAP to IFRS will be applicable to the Plan for the year-ended December 31, 2011.

3. Contribution Fund Investments

	2008	2007
Money market	$ 3,944,038	$ 6,166,962
Bonds	50,859,345	65,681,205
Equities	59,737,844	70,523,739
Pooled funds	40,104,965	42,811,343
	$ 154,646,192	$ 185,183,249

(a) Money Market

	2008			2007		
	Average Term (in days)	Effective Interest Rate (percent)	Market Value	Average Term (in days)	Effective Interest Rate (percent)	Market Value
Money market	71	1.7	$ 3,944,038	105	4.5	$ 6,166,962

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 21.2 % (2007: 25.8%) of the money market portfolio.

(b) Bonds

	2008				
	Remaining term to maturity				
	Within 1	1 to 5	6 to 10	Over 10	Total
Supranational	$ -	$ 361,117	$ -	$ -	$ 361,117
Federal	2,257,131	9,640,012	400,146	661,275	12,958,564
Provincial	-	934,121	2,233,356	9,392,871	12,560,348
Municipal	-	-	-	1,323,432	1,323,432
Corporate	356,266	8,922,143	8,022,954	6,354,521	23,655,884
	$ 2,613,397	$ 19,857,393	$ 10,656,456	$ 17,732,099	$ 50,859,345

	2007				
	Remaining term to maturity				
	Within 1	1 to 5	6 to 10	Over 10	Total
Supranational	$ -	$ -	$ -	$ -	$ -
Federal	-	23,338,147	1,517,139	3,686,383	28,541,669
Provincial	-	1,446,087	2,919,574	11,044,021	15,409,682
Municipal	-	-	510,176	341,060	851,236
Corporate	232,882	6,984,064	6,475,010	7,186,662	20,878,618
	$ 232,882	$ 31,768,298	$ 11,421,899	$ 22,258,126	$ 65,681,205

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 20% 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 6.6% (2007: 4.8%) and all other bonds were rated higher. Other than the Government of Canada, no single issuer represents more than 5.6% (2007: 6.1%) of the overall bond portfolio. Fixed rate bonds have effective interest rates ranging between 0.9% and 18.3% (2007: 3.8% and 9.9%) and coupon rates ranging between 2.7% and 11.0% (2007: 3.6% and 8.8%).

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

	2008	2007
Canadian shares	$ 27,837,588	$ 36,547,236
United States shares	31,549,610	33,976,503
Non North American shares	350,646	-
	$ 59,737,844	$ 70,523,739

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 3.2% (2007: 1.9%).

(d) Pooled Funds

	Units Held		% of Total Units Outstanding		Market Value	
	2008	2007	2008	2007	2008	2007
Leith Wheeler Total Return Bond Fund	1,394,281	955,057	3.1%	2.3%	$ 13,176,080	$ 9,639,027
Leith Wheeler International Fund	1,236,320	1,000,541	1.4%	1.5%	13,601,300	16,216,343
Leith Wheeler Special Canadian Equity	60,482	-	1.0%	0.0%	166,678	-
Greystone EAFE Plus Fund	2,023,199	1,670,539	1.0%	1.0%	13,160,907	16,955,973
					$ 40,104,965	$ 42,811,343

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 Plan manages interest rate risk by investing in a well diversified portfolio of interest-sensitive investments and investments subject to other risks within the asset mix guidelines provided in the Plan's Investment Policy. Investments are actively managed to mitigate or take advantage of changes in interest rates.

The Fund holds approximately 43.9% (2007: 44.0%) of its investments in fixed income securities and 56.1% (2007: 56.0%) in equities at December 31, 2008. As of December 31, 2008, a 1.0% increase in nominal interest rates would result in a decline in the fair market value of bonds of 5.2% (2007: 6.0%).

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 through quality, quantity and diversification guidelines set out in the Investment Policy and by monitoring compliance to those guidelines. At December 31, 2008 the Fund's maximum credit risk exposure relates to bonds, accrued income and short-term investments totaling $68,388,567 (2007: $82,012,534).

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. In Canadian dollars, the Plan's foreign currency exposure at December 31 is as follows:

Currency	2008	2007
United States dollar	$ 31,900,256	$ 33,976,503
Euro	6,326,794	9,797,723
Japanese yen	5,631,903	4,202,640
British sterling	4,718,025	6,492,103
Emerging market currencies	3,267,207	3,656,980
Swiss franc	3,084,260	3,141,755
Singapore dollar	947,687	1,101,288
Hong Kong dollar	926,158	1,338,671
Other	1,860,173	3,441,156
	$ 58,662,463	$ 67,148,819

The Plan manages foreign currency risk by limiting investment in foreign funds through the asset mix guidelines set out in the Plan's Investment Policy and by investing in securities that are strategically distributed over several geographic areas to limit exposure to any one foreign currency.

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 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	
	2008	2007	2008	2007
Portfolio return	-15.4%	0.7%	1.8%	9.0%
Benchmark return	-13.6%	0.5%	1.6%	7.6%

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

	2008	2007
Money market	$ 995,181	$ 1,424,038
Bonds	91,231,610	88,956,537
	$ 92,226,791	$ 90,380,575

(a) Money Market

	2008			2007		
	Average Term (in days)	Effective Interest Rate (percent)	Market Value	Average Term (in days)	Effective Interest Rate (percent)	Market Value
Money market	63	1.5	$ 995,181	49	4.1	$ 1,424,038

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 0.0% (2007: 43.3%) of the money market portfolio.

(b) Bonds

	2008				
	Remaining term to maturity				
	Within 1	1 to 5	6 to 10	Over 10	Total
Federal	$ 254,164	$ 4,339,133	$ 2,496,158	$ 8,755,198	$ 15,844,653
Provincial	2,775,834	11,572,433	23,066,274	37,972,416	75,386,957
	$ 3,029,998	$ 15,911,566	$ 25,562,432	$ 46,727,614	$ 91,231,610

	2007				
	Remaining term to maturity				
	Within 1	1 to 5	6 to 10	Over 10	Total
Federal	$ 1,516,258	$ 4,460,967	$ 2,050,396	$ 7,711,822	$ 15,739,443
Provincial	1,725,274	9,529,017	22,283,073	39,679,730	73,217,094
	$ 3,241,532	$ 13,989,984	$ 24,333,469	$ 47,391,552	$ 88,956,537

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% (2007: 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 16.0% (2007: 16.2%) of the overall bond portfolio. Fixed rate bonds have effective interest rates ranging between 0.8% and 5.2% (2007: 3.0% and 4.8%). 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, Credit and Liquidity 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 credit risk through quality, quantity and diversification guidelines set out in the Investment Policy and by monitoring compliance to those guidelines. At December 31, 2008 the Fund's maximum credit risk exposure relates to bonds, accrued income and short-term investments totaling $93,242,521 (2007: $91,369,459).

Liquidity Risk

The Plan is exposed to liquidity risk through its responsibility to pay pensions on a timely basis.

The Plan manages liquidity risk by maintaining adequate cash and cash equivalent balances. It ensures there is sufficient capital to meet its obligations by continuously monitoring and reviewing actual and forecasted cash flows, and by matching the maturity profile of investment assets to operating needs.

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 3.1% (2007: 3.4%) was used to determine the liabilities as of December 31, 2008. The 1994 Group Annuity Mortality Table rates projected to 2022 with a 5% margin were used for actuarial valuation. 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:

	2008	2007
Liability, beginning of year	$ 86,324,581	$ 83,069,937
Interest on liabilities	2,952,000	2,434,000
Increase in liability due to new annuities	4,944,000	7,250,000
Annuities paid with interest	(7,640,000)	(7,247,000)
Mortality experience	418,951	423,644
Change in Mortality assumption	-	3,990,000
Change in interest rate	2,522,000	(3,596,000)
	3,196,951	3,254,644
Liability, end of year	$ 89,521,532	$ 86,324,581

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, 2008 and 2007, 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 $5,447,000 or if the interest rate decreases by 1.0%, the Provision for Annuity Benefits increases by $6,263,000.

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 $3.8 million and for the next ten years $11.7 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 $142,638 (2007: $174,736) and at year end had $5,293 (2007: $147,464) in accounts payable with these related parties.

At December 31, 2008, the Plan has $6,331,785 market value (2007: $5,476,986) invested in Province of Saskatchewan bonds with varying maturity dates and interest rates. Interest income during the year was approximately $371,677 (2007: $278,608) and change in the market value of these bonds was approximately $854,800 (2007: $855,395).

8. Administrative Expenses

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

	2008	2007
Salaries and benefits	$ 792,071	$ 802,200
Professional and consulting services	670,903	692,993
Advertising and promotional	303,813	326,999
Information expense	187,693	137,058
General Administration	109,451	247,244
Board expenses	46,772	19,541
Total Administrative Expenses	$ 2,110,703	$ 2,226,035
Allocated as Follows:		
Contribution fund	$ 1,706,292	$ 1,773,259
Annuity fund	404,411	452,776
	$ 2,110,703	$ 2,226,035

9. Lease Commitment

The Plan is committed to an operating lease for office space to January 31, 2012 with minimum annual lease payments of $98,050 due to a related party.