Saskatchewan Pension Plan

Annual Report
for the year ending
December 31, 2011

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Letters of transmittal

Her Honour
The Honourable Vaughn Solomon Schofield, S.O.M., S.V.M
Lieutenant Governor of Saskatchewan

Your Honour:

I have the honour to submit the Annual Report of the Saskatchewan Pension Plan for the year ended December 31, 2011.

Respectfully submitted,

Original signed by

Ken Krawetz
Minister Responsible
Saskatchewan Pension Plan

The Honourable Ken Krawetz
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, 2011.

Respectfully submitted,

Original signed by

Katherine Strutt
General Manager
Saskatchewan Pension Plan

Board of Trustees' message

Change, growth and opportunity were key themes for the Saskatchewan Pension Plan (SPP) during 2011. As the year began, members had their first opportunity to participate in the new SPP with the increased maximum contribution and the ability to transfer funds. Member response to these changes has been tremendous as is evidenced by the contributions received during the year. We marked the 25th anniversary of the Plan with an official celebration in Kindersley.

SPP served as a model for pension reform on the national stage. We had several opportunities to share the SPP experience with national media and policy makers. The Plan has been called Canada's best kept secret and Canada's existing pooled registered pension plan (PRPP).

Opportunities exist to take SPP to the next level by making it the pension plan of choice for businesses. The trustees continue to work with stakeholders and the government to establish the framework SPP will need to foster success. At the heart of these discussions and resulting changes remains the needs of our members. We wish to continue being the pension plan that people know and trust—both for our individual and business clients.

The trustees will continue sound governance practices and careful monitoring of investment performance. This report provides a summary of the statement of investment policies and goals used to administer the funds members have entrusted to us. The financial statements reflect the sound financial position of the Plan.

Gary Schlichemeyer, trustee from 2010 to 2011, passed away this year. We will miss his perspective during our deliberations.

As we reflect on the Plan's exhilarating experiences in 2011, we look forward to the coming year as we continue building this plan for the benefit of all members and capitalize on opportunities that develop in the pension industry.

Respectfully submitted,
Board of Trustees
Saskatchewan Pension Plan

General manager's message

New challenges were the focus of operations in 2011. Leading the way was the increased maximum contribution and ability for members to transfer funds to SPP. Response to these changes was enthusiastic and at times, overwhelming. Throughout all the change, I am proud to report that we consistently maintained a high standard of service to members. I thank all of our members and stakeholders for growing with us through these changes.

Mid-year we celebrated SPP's 25th anniversary. This milestone is the result of a quarter century of hard work and dedication on the part of Trustees and staff; and a quarter century of loyalty from members.

Investment markets were volatile during the year and this is reflected in the year-end balanced fund return of -1.0 per cent. Continued uncertainty surrounding the European debt crisis and stability of the U.S. economy affected this return.

SPP launched a social media initiative late in the year allowing the Plan to have contact with members and the public more frequently thereby engaging existing participants and encouraging growth of the Plan. In addition, this forum allows us to expand into the financial education field, an important area of service to our members.

We are pleased that members have endorsed the Plan changes by contributing more to their accounts and doubling our contribution totals from 2010. Our purpose is to see those investments increase in value so that our clients have additional income available at retirement. In the year ahead, growth remains the focus both in terms of member participation and asset value.

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 live up to what we say by following through on commitments, agreements and promises
- Relevant information is available and openly shared

Strategic direction

The Saskatchewan Pension Plan (SPP) is a program developed ahead of its time. This plan, initiated 26 years ago, is the model for the national PRPP. It is a fully funded capital accumulation plan created by the provincial government to provide supplementary income to individuals with little or no access to employer-sponsored pensions. This option is particularly beneficial for businesses that have found existing pension options too expensive and too cumbersome for the entity to participate.

The Board's strategic direction continues to be one of growth. Growth will benefit all current and future members. As the Plan grows, members will benefit from increasing economies of scale and the potential for more services. Typically a large portion of asset growth comes from increased value of investments. The current investment climate makes this challenging.

Pension adequacy and access discussions continued on the national stage in 2011 and culminated in the release of draft legislation for PRPPs for federally regulated employees. As the federal legislation and regulations are finalized, working with the province to create a PRPP framework for Saskatchewan will be a focus for SPP strategy in the coming year. The Plan's mission is "to grow through the provision of a superior investment opportunity that results in enhanced financial security at retirement." The Plan will continue to focus on small businesses, especially those with less than 20 employees, and those who do not have access to private pension arrangements.

Goal 1: To improve SPP's competitive position

While the increased maximum contribution and ability for members to transfer funds to SPP have created improved opportunities for the Plan, the Board is continuing with plans to enhance the program by moving to unitization and expanding the retirement options. SPP officials are continuing work with provincial law-makers to amend legislation so that the Plan can also accept funds from RPPs and so that SPP can provide PRPPs.

Goal 2: To increase SPP membership

New member growth was moderately successful in 2011 as 990 people joined the Plan with an average age of 42.4 years.

Goal 3: To increase SPP assets

Contributions in 2011 totaled $16.4 million, 109 per cent ahead of 2010 levels. This was a reflection of a positive response to the increased maximum contribution and the ability to transfer funds into SPP. Net assets under administration in the Contribution Fund (CF) were $195.7 million—balanced fund (BF) - $194.4 million and short-term fund (STF) - $1.2 million—and $103.7 million in the Annuity Fund (AF).

Goal 4: To optimize member satisfaction

One of the measures of member satisfaction is good service and competitive rates of return. The Board ensures the Plan is prudently and efficiently managed. This is reflected in an expense ratio of 1.1 per cent in the CF and 0.5 per cent in the AF. The social media initiative is intended to enhance member satisfaction by providing timely information about SPP and about financial planning and education in general.

Looking ahead

SPP is a simple, easy to use and understandable pension plan with competitive returns, low fees and excellent customer service. As the PRPP evolves in the year ahead, we anticipate increased participation as SPP becomes the pension plan of choice for businesses.

Plan operations

SPP is a voluntary, capital accumulation plan for people who want an easy way to accumulate funds for retirement. The Plan is available to people between 18 and 71 years of age. Eligibility is not dependent on residency or membership in other plans; participants must have unused RRSP room to contribute. SPP members are full-time employees, part-time employees, self-employed people, homemakers, farmers and students. At December 31, 2011, SPP had 32,035 members (2010: 31,831).

Member statistics

Member status	%
Active	66
Retired	34

Sex	%
Female	70
Male	30

Occupation	%
Homemaker	20
Farmer	9
Self-Employed	11
Full-time	29
Part-time	21
Student	6
Other	4

Age distribution	%
18-25	3
26-34	8
35-49	19
50-65	34
Over 65	36

New member profile

- 990 people joined SPP in 2011.
- 81 per cent identified themselves as full-time, part-time or self-employed.
- Average age of new members in 2011 was 42.4 years.

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

- visiting the Plan's website at saskpension.com;
- visiting SPP's blog at savewithSPP.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 flexibile 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 year;
- Portable - people can join and contribute to the Plan regardless of where they reside;
- Professionally managed investments; and
- Business pension option.

Members and the public use the toll-free inquiry line and the website to contact SPP. In 2011 the toll-free line received more than 14,000 calls and web traffic continued to be steady.

Contributing to SPP

The annual maximum contribution to SPP is $2,500, subject to the contributor's available RRSP room. There is no minimum contribution. Contributions are tax deductible by the member or their spouse within RRSP guidelines. During 2011, 11,721 members contributed to SPP with an average contribution of $1,398 (2010: 11,963; $656).

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.

Transfers from other RRSPs and unlocked RPPs are accepted up to a maximum $10,000 per calendar year. In 2011, 183 members transferred over $1,090,000 into their SPP accounts.

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.

Plan operations

Assets of members who have not yet retired are held in the Contribution Fund (CF). Contributing members may choose between a balanced fund (BF) and short-term fund (STF) for investment. The BF is actively managed and contains bonds, equities, real estate and money market investments. The purpose of the BF is to provide members with long-term growth. The STF contains only money market instruments and is designed to preserve capital.

The Statement of Investment Policies and Goals is summarized on pages 15-17. More information on the CF performance in 2011 is found in the Investment report section (page 11).

Business plans

SPP is uniquely positioned to help businesses enhance their employee benefit package by offering employers a simple, affordable and easily managed pension plan option for employees. Employers can use SPP to offer the benefit of a pension plan without incurring the costs of administration or future liability for pension payments. 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, transfer their account to a locked-in retirement account or prescribed registered retirement income fund with another financial institution, or a combination of the annuity and transfer options. SPP also offers a small pension payout option for members whose monthly benefit is less than the prescribed amount. In 2011, pensions under $20.13 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.

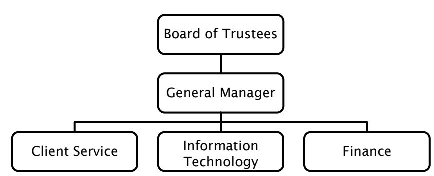
Retired members

- *574* members retired in 2011.
- Average monthly pension for new retirees was $117.
- Highest monthly pension is $430.
- 11,328 members received a pension from SPP at the end of 2011.
- 254 members started a pension in 2011 at an average age of 66.7 years.
- 241 members transferred into other retirement income vehicles.
- 79 chose the small pension payout option.

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.

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. Trustees for the period reviewed in this report were: Warren Wagner, Chairperson; Tim Calibaba; Patricia Weir; and Maureen Wilson.

Plan operations

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 Partnership, who assists the Board in monitoring the performance of the investment managers.

Administrative expenses are paid from Plan earnings. SPP focuses on providing efficient service at a reasonable cost.

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 also complies with the Overarching Personal Information Privacy Framework for Executive Government. Questions about privacy should be directed to the Plan's Privacy Officer.

Investment report

Volatility sums up market performance for 2011. The European debt crisis and continued concerns about the economic recovery in the U.S. top the list of investor concerns. The seemingly endless rollercoaster with respect to these issues has marred investor confidence. As one writer put it, “markets moved from optimistic to pessimistic in a heartbeat.”

2011 Market returns	
S&P/TSX Composite Index	-8.7%
S&P 500 Index (C$)	4.6%
MSCI EAFE Index (C$)	-10.0%
DEX Universe Bond Index	9.7%

Canada’s economic picture remains strong but our commodity-dependent economy will feel the effect of slowed growth in the U.S. and global economies. The high levels of personal debt are cause for future concern when borrowing rates rise. In contrast, concerns about a recession in Europe and a slowdown in China hit energy stocks and commodity prices quite hard. That affected Canada’s stock market more than most countries, given its heavy weighting of energy and materials companies. Canada does not have the worst-hit market as we ranked among the top 10 in terms of relative returns. But the S&P 500 was the world’s sole major equity market with positive annual performance.

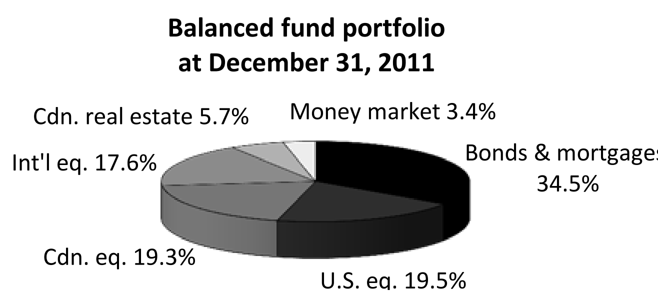
Looking forward, the economic outlook remains uncertain for 2012. Europe’s debt and banking crisis are the main sources of worry for equity market investors. Equity markets are expected to continue to be volatile into 2012 as events unfold in Europe, the U.S. and China.

Contribution Fund – BF results

SPP balanced fund return history	
2011	-1.0%
5 year return	0.4%
10 year return	4.4%
Since inception (26 years)	7.8%

The market value of the BF increased from $191.6 M at the beginning of the year to $194.4 Million at the end of 2011. This represents a return to members of -1.0 per cent after administration costs. The historic rates of return are shown in the table above. The fund is managed by Greystone Managed Investments Inc. of Regina and Leith Wheeler Investment Counsel of Vancouver. Both BF managers started the year favouring equities over bonds. By the end of the fourth quarter, Greystone’s portfolio closely resembled the target allocation, while Leith maintained a bias to equities.

The BF is structured to provide long-term capital growth and holds a mixture of equities, fixed income and Canadian real estate investments. The chart below shows the BF portfolio at December 31, 2011.



The following is a summary of the 2011 BF performance by asset class. The rates of return used exclude administration fees which allows for a valid comparison to benchmarks. SPP’s year end return, before administration expenses, was 0.0 per cent compared to a benchmark of 1.4 per cent.

The top ten holdings, portfolio composition and returns are summarized in the accompanying tables.

Investment report

Canadian equities

Top 10 Canadian Equity Holdings in 2011	% of Portfolio		% of Portfolio
1. Toronto Dominion Bank	7.0	6. Saputo	3.8
2. Cdn. Natural Resources	5.4	7. Transcanada	3.3
3. Bank of Nova Scotia	5.3	8. National Bank of Canada	3.1
4. Leith Wheeler Special Canadian Equity Fund	4.3	9. Teck Resources	2.7
5. Canadian National Railway	3.9	10. CAE Inc.	2.6

The S&P/TSX Composite Index lost 8.7 per cent in 2011. Five of the 10 sectors finished the year with positive returns, led by the Health Care and Telecommunications sectors. Information Technology was the worst performing sector. Small cap stocks, as measured by the BMO Small Cap Index, underperformed large cap stocks.

SPP's Canadian equity portfolio returned -9.4 per cent. Greystone's portfolio was hampered by sector positioning and underperformed the index. They were overweight in Information Technology while underweight in Telecommunications and Utilities sectors. Leith Wheeler had a strong performance. They did not hold Research in Motion, which led the Information Technology sector with a -52.5 per cent return in the year and were largely out of Materials, which fell 21.2 per cent in the year.

The chart on the right shows the sector weighting of each portion of the SPP Canadian equity portfolio at December 31, 2011. Similar information is provided for all asset classes.

	S&P/TSX Weight (%)	Portfolio Weight (%)	Index Return (%)
Health care	1.4	1.3	50.4
Telecom services	5.2	1.4	24.9
Consumer staples	2.8	5.0	6.8
Utilities	2.0	-	6.5
Industrials	5.8	12.9	4.2
Financials	29.3	29.6	-2.9
S&P/TSX			**-8.7**
SPP			**-9.4**
Energy	27.1	22.6	-9.9
Consumer discretionary	4.0	10.5	-15.5
Materials	21.1	12.0	-21.2
Information technology	1.3	4.5	-52.5
Cash	-	0.2	-
Total	100.0	100.0	

U.S. equities

Top 10 U. S. Equity Holdings in 2011	% of Portfolio		% of Portfolio
1. Pfizer	3.6	6. Proctor & Gamble	2.6
2. Markel	3.0	7. 3M	2.4
3. Johnson & Johnson	2.8	8. Wells Fargo	2.3
4. Intel	2.7	9. Chevron	2.2
5. Apple	2.6	10. Merck	2.2

The S&P 500 Index returned 2.1 per cent in US$ in 2011 with the return increasing to 4.6 per cent in C$ as the Canadian dollar depreciated over the period. In Canadian dollar terms seven of the 10 sectors had positive returns—led by Utilities, Consumer Staples and Health Care. Financials and Materials were the weakest performing sectors. Large cap stocks outperformed both mid cap and small cap stocks, and growth stocks outperformed value stocks during the year.

SPP's U.S. equity portfolio returned 1.2 per cent in C$. Greystone trailed the S&P 500 index notably in 2011. Sector positioning detracted as the portfolio was underweight in several defensive sectors. Greystone's preference for large cap growth stocks helped support the portfolio. Leith Wheeler's sub-advisor, Sprucegrove, failed to keep pace with the Index. The portfolio did benefit from an overweight to the defensive Consumer Staples and Health Care sectors but was hurt by weak stock selection in several sectors, most notably Energy and Information Technology. Overall, the Sprucegrove style, which tends to underweight large cap growth stocks, hampered the performance as that segment of the market led the Index in the year.

Investment report

	S&P 500 Weight (%)	Portfolio Weight (%)	Index Return (C$) (%)
Utilities	3.9	2.6	17.7
Consumer staples	11.5	14.8	13.3
Health care	11.8	15.1	12.9
Consumer discretionary	10.7	11.6	7.0
Energy	12.3	11.2	5.3
S&P 500			**4.6**
Information technology	19.0	14.8	3.8
Telecom services	3.2	-	3.3
SPP			**1.2**
Industrials	10.7	10.2	-0.5
Materials	3.5	4.9	-9.4
Financials	13.4	14.8	-16.4
Total	100.0	100.0	

Non-North American equities

Top 10 Non-North American Equity Holdings in 2011			
	% of Portfolio		% of Portfolio
1. Cash	2.6	6. Samsung Electronics	2.1
2. HSBC	2.4	7. Tesco	2.0
3. Novartis Ag	2.4	8. Nestle	1.9
4. Adidas Total	2.2	9. BMW	1.7
5. Canon	2.2	10. Royal Dutch Shell	1.6

The MSCI EAFE Index, which measures the returns of non-North American equities, returned -12.2 per cent in local currency terms and -10.0 per cent in Canadian dollar terms for the year. The Canadian dollar depreciated against eight of the 12 currencies, decreasing the most against the Japanese Yen and the Hong Kong dollar. Health Care was the top performing sector and Materials the worst. Only two out of the twenty-two countries in the index had positive returns. Developed markets outperformed emerging markets and growth and value stocks had very similar returns for the year.

SPP's non-North American (NNA) equity portfolio returned -11.4 per cent. Greystone's portfolio trailed the index substantially in the year. Portfolio positioning in terms of country and sector exposures had little impact. The underperformance prompted Greystone to make a change to the manager structure of the pooled fund and the Board authorized a transfer of funds to the EAFE Growth Fund, sub-advised by Hansberger Global Investors effective December 1, 2011.

Leith Wheeler's sub-advisor for NNA equities is Sprucegrove and the firm did well in 2011, protecting over one per cent in value as the global equity markets declined and a number of portfolio positions were rewarded in the year. Sprucegrove held an overweight in Ireland, the top performing country in the index and a large underweight in the embattled Financials sector helped, as did avoiding most of the European banks that were under pressure all year.

Country	EAFE Weight (%)	Portfolio Weight (%)	Index Return (C$) (%)
Ireland	0.3	2.4	16.5
New Zealand	0.1	-	8.2
United Kingdom	23.2	20.4	-0.2
Switzerland	8.6	11.0	-4.5
Norway	0.9	1.3	-7.8
Belgium	1.0	1.1	-8.4
Australia	8.6	3.9	-8.7
Netherlands	2.5	2.2	-9.9
MSCI EAFE			**-10.0**
Spain	3.3	1.6	-10.1
SPP			**-11.4**
Japan	21.6	17.7	-12.2
Denmark	1.1	0.8	-13.9
Hong Kong	2.8	5.1	-13.9
Sweden	3.1	0.9	-13.9
France	9.1	3.3	-14.8
Singapore	1.7	2.9	-15.9
Germany	7.8	6.3	-16.0
Portugal	0.2	-	-21.2
Italy	2.3	2.5	-21.3
Israel	0.6	1.2	-26.3
Finland	0.8	-	-30.2
Austria	0.2	-	-34.9
Greece	0.1	-	-61.9
Emerging markets	0.1	12.8	-
Cash	-	2.6	-
Total	100.0	100.0	

Investment report

Real estate

The Russell Property Investment Property Databank Index, which measures the returns of Canadian commercial real estate, returned 10.6 per cent in the year. SPP's real estate portfolio returned 13.7 per cent and Greystone's real estate fund was their star performer in 2011. Falling vacancy rates and lower interest rates drove up valuations of the fund's holdings. Fund income averaged a moderate four to five per cent. Property prices continue to climb making it difficult for rental rates to keep pace.

Fixed income

	DEX UBI Weight (%)	Portfolio Weight (%)	Index Return (%)
Provincial	28.1	25.3	13.2
Municipal	1.6	1.3	11.6
SPP			**9.9**
DEX UBI			**9.7**
Federal	43.8	24.3	8.4
Corporate	26.5	48.5	8.2
Cash	-	0.6	-
Total	100.0	100.0	

The DEX Universe Bond Index, which measures the Canadian Bond market returns, gained 9.7 per cent in the year. The Bank of Canada's overnight rate remained unchanged at one per cent over the year. The overnight rate was last increased on September 8, 2010. The U.S. Federal Reserve maintained the Federal Funds Rate at a target range of zero to 0.25 per cent. As of December 31, 2011, Canadian core inflation was 1.9 per cent, while total inflation was 2.3 per cent.

SPP's fixed income portfolio returned 10.0 per cent. The Canadian bond market benefited from increased investor appetite for lower risk investments. Although Greystone's bond portfolio had an overweight to corporate bonds, which trailed federal, provincial and municipal bonds, it performed very well, rising 9.8 per cent. Leith Wheeler's bond portfolio also benefited from falling yields across the entire market. The portfolio matched the Index return despite the large overweight to corporate bonds.

Contribution Fund - STF results

The STF's objective is capital preservation and it invests only in Canadian money market instruments such as T-bills and commercial paper. The DEX 91-day T-Bill Index returned 1.0 per cent. The STF benchmark was 1.0 per cent and the fund returned, before administration expenses, 1.1 per cent. The return after administration expenses was 0.6 per cent.

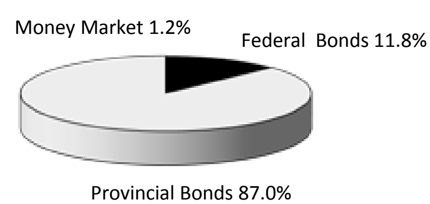
Annuity Fund

The AF's 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 only of high-quality bonds and short-term investments. Total assets of the fund at December 31, 2011 were $103.7 million, with an actuarial surplus of $6.6 million.

Bond interest rates remained low throughout the year and therefore annuity rates were also low, ranging between 2.8 per cent and 3.4 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, 2011.

Annuity fund portfolio at December 31, 2011



Investment policy summary

SPP has established two funds to hold the assets of the Plan: the CF and AF. 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 Statement of Investment Policies and Goals (SIP&G), reviews investment performance quarterly and reviews the policy itself annually. In 2011 the review took place December 10, 2010 and changes came into effect January 1, 2011. The SPP's SIP&G is available at saskpension.com.

Contribution fund

The CF holds assets of members who have not yet retired. The assets are accumulated under a defined contribution or capital accumulation arrangement. Non-retired members have two options in which to invest their money, the BF and the STF.

The objective of the BF is to accumulate the assets of members and invest these assets in a prudent, risk-controlled manner to provide for long term growth. The fund 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.

The STF is designed for members whose primary objective is capital preservation. The fund is not recommended as a long-term investment. This fund invests in money market instruments and is suitable for members as they approach retirement and who are willing to accept a low return in order to minimize market risk.

Risk management

The Plan is exposed to a variety of investment risks as a result of its investment activities. In the BF, these risks include market risk (consisting of interest rate risk, foreign currency exchange risk and equity price risk), credit risk and liquidity risk. The STF fund is subject to interest rate risk, inflation risk and credit risk. The Plan manages and mitigates investment risks by establishing investment policies which are reviewed and approved by the Board of Trustees at least annually. The policy contains risk limits and risk management provisions that govern investment decisions and are designed to achieve the objectives of the Board.

These risks are closely monitored and managed by:

- diversifying the asset classes, diversifying within each individual asset class and diversifying by manager style;
- establishing quality, quantity and diversification guidelines;
- setting performance goals and objectives and establishing benchmark performance expectations to measure progress towards the attainment of these goals;
- retaining an investment consultant who monitors the investment performance of the fund on a quarterly basis 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; and
- reviewing quarterly reports from investment managers on compliance with the Investment Policy throughout the reporting period.

Investment policy summary

Asset mix

The SPP's Investment Policy for the CF is based on investment considerations and expectations of the Board for the two investment options available to members. The BF asset mix, shown in the table below, provides a long term targeted weight of 55 per cent for equities, 40 per cent for fixed income and mortgages, and 5 per cent for real estate. The goal is to manage an asset mix that balances risks and rewards and avoids excessive volatility in the investment portfolio.

Asset Mix

Asset Class (% of fair value)	Minimum	Maximum	Current Benchmark	Actual
Equities				
Canadian	14	24	19	19
U.S.	13	23	18	20
Non-North American	13	23	18	18
Total equities	**40**	**65**	**55**	**57**
Real estate	**3**	**10**	**5**	**6**
Fixed income				
Bonds & mortgages	30	50	37	34
Short term	0	10	3	3
Total Fixed income	**30**	**65**	**40**	**37**
Total fund			100	100

The STF invests in a Canadian pooled fund containing high quality money market instruments issued by governments, corporations, trusts, and other commercial entities. All securities in the fund have a term to maturity of 365 days or less. The fund's benchmark is the DEX 91 Day T-bill Index.

Performance measurement

The primary investment performance objective of each fund is to earn a rate of return that exceeds the rate of return earned on the benchmark portfolio return over rolling four-year periods. 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 $);
- Real Estate: Investment Property Data Bank;
- Bonds and Mortgages: DEX Universe Bond Index; and
- Short-term investments: DEX 91 Day Treasury Bills.

A second objective is to exceed the benchmark index in each of the asset classes in which the manager invests. And finally, the fund's long term investment goal is to achieve a minimum annualized rate of return of 3 per cent in excess of the Canadian Consumer Price Index assessed over annualized rolling four-year periods.

Annuity fund

The AF holds assets transferred from the CF 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 management

The objectives of the AF are:

- to structure the investment portfolio so that the Fund's net assets are immune to changes in the level of interest rates;
- to provide sufficient liquidity to ensure payments to retired members when due; and
- to ensure long-term solvency of the Fund.

Our ability to meet this objective is affected by two factors:

- fluctuations in the value of the investment portfolio, which are caused by changes in investment markets (primarily credit, market and liquidity risks); and
- changes in the value of the Plan's accrued benefit obligation, which is driven by both economic and demographic factors.

To achieve our objectives, the Fund is invested in high quality fixed income instruments and short-term investments all denominated and payable in Canadian dollars. Interest rate risk is addressed by matching estimated future cash payments with interest and principal payments from the portfolio. As such, the AF 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.

The Board of Trustees retains an independent actuary to value the accrued annuity obligation annually based on economic and demographic assumptions. Each year, the Board and management monitor the validity of assumptions against actual experience and update periodically.

Asset mix

Subject to requirements and restrictions imposed by both The Pension Benefits Act and Regulations and the Income Tax Act and Regulations, the Fund must include sufficient short-term investments to meet liquidity needs. 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.

Performance measurement

Investment performance is monitored and evaluated on a regular basis. The portfolio risk is monitored annually by measuring the duration gap between the assets and liabilities. Long-term solvency is also monitored annually by comparing the present value of the asset cash flow stream to the present value of the estimated liability payments.

Actuaries' opinion

Aon Hewitt 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, 2011. 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, 2011; and
- Assumptions about future events (economic and demographic) which were developed by Aon Hewitt.

While the actuarial assumptions used to estimate liabilities for the Plan are, in our opinion, reasonable, the Plans' 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 assumptions used are, in aggregate, appropriate. Our opinions have been given, and our valuation has 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 24, 2012

Management's responsibility for financial reporting

The 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 accounting standards 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

Katherine Strutt
General Manager

Original signed by

Donna Eon
Manager of Finance

February 24, 2012

Independent auditor's report

To the Members of the Legislative Assembly of Saskatchewan

We have audited the accompanying financial statements of the Saskatchewan Pension Plan, which comprise the statements of financial position as at December 31, 2011 and December 31, 2010, and the statements of changes in net assets available for benefits, and the statements of changes in the provision for annuity obligation for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Saskatchewan Pension Plan as at December 31, 2011 and December 31, 2010, and the changes in its net assets available for benefits and changes in its annuity obligations for the years then ended in accordance with Canadian accounting standards for pension plans.

Original signed by

Chartered Accountants
Regina, Saskatchewan

February 24, 2012

Statement of financial position

as at ($ thousands)

	Dec 31, 2011			Dec 31, 2010	Jan 1, 2010
	Contribution Fund	Annuity Fund	Total	Total	Total
ASSETS					
Investments (Notes 3 and 4)	$ 194,203	$ 102,794	$ 296,997	$ 285,240	$ 265,537
Cash	669	138	807	1,076	647
Accrued investment income	412	913	1,325	1,321	1,423
Prepaid (deferred) retirement transfers	707	(707)	-	-	-
Prepaid annuity benefits		670	670	654	636
Total assets	195,991	103,808	299,799	288,291	268,243
LIABILITIES					
Administrative expenses payable	201	74	275	364	221
Death and other benefits payable	126	34	160	117	179
Deferred member contributions	2	-	2	3	3
Total liabilities	329	108	437	484	403
NET ASSETS AVAILABLE FOR BENEFITS	195,662	103,700	299,362	287,807	267,840
Accrued obligation (Note 5)	195,662	97,127	292,789	282,223	262,986
SURPLUS	$ -	$ 6,573	$ 6,573	$ 5,584	$ 4,854

ON BEHALF OF THE TRUSTEES:

Original signed by

Timothy Calibaba

Original signed by

Maureen Wilson

(See Accompanying Notes)

Statement of changes in net assets available for benefits

For the year ended ($ thousands)

	Dec 31, 2011			Dec 31, 2010
	Contribution Fund	Annuity Fund	Total	Total
INCREASE IN ASSETS				
Investment income				
Interest and other income	$ 2,040	$ 4,690	$ 6,730	$ 6,976
Dividends	1,205	-	1,205	1,305
Pooled funds	2,472	-	2,472	1,907
	5,717	4,690	10,407	10,188
Change in fair value of investments	(5,611)	6,737	1,126	15,947
Contributions	16,402	-	16,402	7,854
Transfers from Contribution Fund	-	5,655	5,655	5,100
	16,508	17,082	33,590	39,089
DECREASE IN ASSETS				
Annuities to pensioners	-	7,879	7,879	7,685
Administrative expenses (Note 8)	2,223	457	2,680	2,342
Transfers to other plans	4,822	-	4,822	3,215
Transfers to Annuity Fund	5,655	-	5,655	5,100
Deaths and other benefits	612	387	999	780
	13,312	8,723	22,035	19,122
Change in net assets	3,196	8,359	11,555	19,967
NET ASSETS AVAILABLE FOR BENEFITS BEGINNING OF YEAR	192,466	95,341	287,807	267,840
NET ASSETS AVAILABLE FOR BENEFITS END OF YEAR	$ 195,662	$ 103,700	$ 299,362	$ 287,807

(See Accompanying Notes)

Statement of changes in provision for annuity obligation

For the year ended ($ thousands)

	Dec 31, 2011	Dec 31, 2010
PROVISION FOR ANNUITY OBLIGATION, BEGINNING OF YEAR	$ 89,757	$ 86,215
INCREASE IN PROVISION FOR ANNUITY OBLIGATION		
Interest on liabilities	2,513	2,811
Liability due to new annuities	5,764	5,028
Mortality experience	177	363
Change in interest rate	6,931	3,235
	15,385	11,437
DECREASE IN PROVISION FOR ANNUITY OBLIGATION		
Annuities paid with interest	8,015	7,895
	8,015	7,895
Net increase in provision for annuity obligation	7,370	3,542
PROVISION FOR ANNUITY OBLIGATION, END OF YEAR	$ 97,127	$ 89,757

(See Accompanying Notes)

Notes to the financial statements

For the year ended December 31, 2011

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 Plan is comprised of a Contribution Fund (CF) and an Annuity Fund (AF). These funds are managed by professional investment managers whose investment performance is measured against objectives established by the Saskatchewan Pension Plan Board of Trustees as outlined in the Statement of Investment Policies and Goals.

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. There are two investment options available to CF members, the Balanced Fund (BF) and the Short Term Fund (STF). The asset mix of each fund is established based on the expected volatility of the underlying securities. The BF portfolio includes equities, bonds and money market investments to maximize earnings while minimizing risk to members. The STF only holds money market investments and is the least volatile.

The Plan introduced the STF investment option March 1, 2010 and members of SPP have the option to invest in the BF, the STF or a combination of both.

Annuity Fund (AF)

The AF was established to provide Plan members with the option of purchasing a life annuity at retirement. If a member elects to purchase an annuity from the AF, the individual account balance is transferred from the CF to the AF and a pension contract is established. The AF holds investments in high quality long-term bonds. The AF 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 AF 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 $2,500 for each plan year. On December 7, 2010 the maximum contribution limit was increased from $600 to $2,500 and members may also transfer $10,000 annually from an RRSP or RRIF to SPP. 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 specified pension 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 or estate in accordance with the member’s designation and are subject to the *Income Tax Act* and applicable legislation. 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 2011, the prescribed amount was $20.13 (2010: $19.67).

2. Significant Accounting Policies

(a) Basis of presentation

The financial statements for the year ended December 31, 2011 have been prepared in accordance with Canadian accounting standards for pension plans as outlined in the CICA Handbook, section 4600, Pension Plans. For matters not addressed in Section 4600, IFRS (International Financial Reporting Standards) have been followed. These financial statements are presented in the Plan's functional currency, Canadian Dollars. The financial statements were authorized and issued by the Board of Trustees on February 24, 2012.

(b) 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.

(c) Valuation of investments

Investments are stated at fair value through profit and loss and are classified as held for trading. The fair value of investments are determined as follows:

(i) Money market investments, comprising of treasury bills and bankers acceptances, are recorded at cost, which together with accrued investment income approximates fair value.

(ii) Bonds are valued at year end quoted market prices from recognized security dealers.

(iii) Equities are valued at quoted market price obtained from recognized stock exchanges on which securities are principally traded.

(iv) Pooled funds are valued based on the quoted market price of the underlying investments.

(v) Real Estate and mortgage pooled funds are valued using market values from independent appraisals.

(d) 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.

(e) Fair value

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

(f) Use of estimates and judgements

The preparation of financial statements in accordance with Canadian accounting standards for Pension Plans requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses, and related disclosures. Actual results could differ from these estimates. Significant estimates included in the financial statements relate to the valuation of investments and the provision for annuity obligations.

(g) Future accounting changes

A number of new standards, amendments to standards and interpretations which become effective for annual periods beginning on or after January 1, 2013 and which may have an impact on the plan, include: IFRS 9, Financial Instruments; IFRS 12, Disclosure of Interests in Other Entities; and, IFRS 13, Fair Value Measurement. The extent of the impact on adoption of these standards is not known at this time, but is not expected to be material.

3. **Contribution Fund Investments**

(a) Investments

The CF invests directly or through pooled funds in accordance with the Board's policy of asset diversification. The CF investments consist of the following:

($ thousands)		2011		2010		Jan 1, 2010
Bonds and bond pooled fund						
Federal	$	13,079	$	12,538	$	11,324
Provincial		10,852		10,436		11,269
Municipal		794		1,259		1,293
Corporate		19,067		19,105		20,566
Leith Wheeler Total Return Bond fund		18,361		16,280		14,051
		62,153		59,618		58,503
Equities and equity pooled funds						
Canadian equities		35,927		37,792		36,909
Leith Wheeler Special Canadian Equity fund		1,609		1,254		291
United States equities		18,745		17,489		17,058
Leith Wheeler US Equity Pension fund		19,084		17,420		16,180
Non North American equities		772		468		446
Leith Wheeler International Equity fund		17,458		18,509		16,435
Greystone EAFE Plus fund		15,989		18,910		15,504
		109,584		111,842		102,823
Other						
Money market		5,307		4,202		5,345
Greystone Real Estate pooled fund		11,132		9,792		6,049
Greystone Mortgage pooled fund		4,824		4,465		3,155
Greystone Money Market fund		1,203		872		-
		22,466		19,331		14,549
Total CF Investments	$	194,203	$	190,791	$	175,875

Bonds and bond pooled funds

The portfolio contains bonds that the CF holds directly or in pooled funds, including private placement bonds and bonds issued by foreign entities, all denominated and paid in Canadian dollars. Bonds are subject to 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. An investment in a pooled fund cannot exceed 10% of the market value of that fund. The Leith Wheeler Total Return Bond Fund has bond future exchange contracts in place to manage interest rate risk.

Equities and equity pooled funds

Equity holdings are made directly or through pooled funds. No one holding of an individual stock may represent more than 10% of the market value of the equity portfolio or more than 10% of the capital stock of the issuer. Pooled funds have no fixed distribution rates and returns are based on the investment performance attained by the fund manager. The Greystone EAFE Plus Fund uses derivatives for hedging currency and to replicate indexes.

Money market

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.

Real Estate pooled fund

The Greystone Real Estate Pooled Fund consists of Canadian real estate and is diversified by property type and geographic location.

Mortgage pooled fund

The assets of the Greystone Mortgage Pooled Fund include first and subsequent priority mortgage in Canadian real estate.

(b) Fair value measurements

The Plan has classified its fair valued financial instrument holdings using the hierarchy that reflects the significance of the inputs used in determining their measurements.

Under the classification structure, financial instruments recorded at unadjusted quoted prices in active markets for identical assets or liabilities are classified as Level 1. Instruments valued using inputs other than quoted prices that are observable for the asset or liability either directly or indirectly are classified as Level 2. Instruments valued using inputs that are not based on observable market data are classified as Level 3. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The following table illustrates the classification of the CF's financial instruments within the fair value hierarchy as at December 31.

($ thousands)	2011				2010	Jan 1, 2010
	Level 1	Level 2	Level 3	Total	Total	Total
Money market	$ -	$ 6,510	$ -	$ 6,510	$ 5,074	$ 5,345
Bonds & bond pooled fund	-	62,153	-	62,153	59,618	58,503
Equities & equity pooled fund	93,595	15,989	-	109,584	111,842	102,822
Mortgage pooled fund	-	-	4,824	4,824	4,465	3,155
Real Estate pooled fund	-	-	11,132	11,132	9,792	6,050
	$ 93,595	$ 84,652	$ 15,956	$ 194,203	$ 190,791	$ 175,875

The following is a reconciliation of the level 3 fair value measurements from December 31, 2010 to December 31, 2011.

($ thousands)	2011		
	Mortgages	Real Estate	Total
Balance January 1, 2010	$ 3,155	$ 6,050	$ 9,205
Purchase	988	3,000	3,988
Gains (losses)			
Realized	224	-	224
Unrealized	98	742	840
Balance at December 31, 2010	$ 4,465	$ 9,792	$ 14,257
Purchases	-	-	-
Gains (losses)			
Realized	213	-	213
Unrealized	146	1,340	1,486
Balance at December 31, 2011	$ 4,824	$ 11,132	$ 15,956

(c) Financial risk management

The nature of the Plan's operations results in a statement of financial position that consists primarily of financial instruments. The risks that arise are credit risk, market risk (consisting of interest rate risk, foreign currency risk and equity price risk), and liquidity risk.

These risks are managed by having an investment policy which is subject to review and approval by the Board of Trustees annually. The investment policies provide guidelines to the Plan's investment managers for the asset mix of the portfolio regarding quality and quantity of permitted investments in order to achieve sufficient asset growth on a risk controlled basis. The minimum, maximum and target weighting for each class is clearly established in the policy. The Board reviews regular compliance reports from its investment managers and custodian as to their compliance with the investment policies.

(i) Credit risk

Credit risk is the risk of loss arising from the failure of a counterpart to fully honor its financial obligation with the Plan, including its inability or unwillingness to pay borrowed principal and interest when they come due. Credit risk can also lead to losses when issuers and debtors are downgraded by credit rating agencies, usually leading to a fall in the market value of the debtor's obligation. The Plan has put in place investment policies and procedures with established investment criteria designed to manage credit risk by setting limits to credit exposure through quality, quantity and diversification guidelines set out in the Investment Policy and by monitoring compliance to those guidelines. The credit quality of financial assets is generally assessed by reference to external credit rating.

The Plan's most significant credit risk exposure arises from its investments in interest bearing investments. At December 31 the maximum credit risk to which the CF is exposed is summarized as follows:

($ thousands)	2011	2010	Jan 1, 2010
Accrued interest income	$ 281	$ 276	$ 297
Money market	6,510	5,074	5,345
Bonds	62,153	59,618	58,503
Mortgages	4,824	4,465	3,155
	$ 73,768	$ 69,433	$ 67,300

At year end 9.0% of the bonds of the CF were rated as BBB (2010: 9.3%) and all other bonds were rated higher. Other than the Government of Canada, no single issuer represents more than 7.3% (2010: 8.2%) of the overall bond portfolio. Fixed rate bonds have effective interest rates ranging between 1.0% and 6.4% (2010: 0.1% and 17.1%) and coupon rates ranging between 1.3% and 11% (2010: 0.3% and 11.0%).

(ii) Market risk

Market risk is the risk that fair value of an investment will fluctuate as a result of changes in market prices. Market risk is comprised of three types of risk which include foreign currency risk, interest rate risk and other price risk. Significant volatility in interest rates, equity values and the value of the Canadian dollar against the currencies in which the Plan's investments are held can impact the value of the Plan's investments.

Foreign currency risk

Investments denominated in currencies other than the Canadian dollar expose the Plan to fluctuations in foreign exchange rates. Fluctuations in the relative value of the Canadian dollar against these foreign currencies can result in a positive or a negative effect on the fair value of investments. 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.

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

Currency *($ thousands)*	2011	2010	Jan 1, 2010
United States dollar	$ 38,601	$ 35,654	$ 33,881
British sterling	6,828	6,388	5,749
Euro	6,477	9,297	8,604
Japanese yen	5,935	6,818	5,535
Emerging market currencies	4,280	3,697	3,192
Swiss franc	3,684	3,379	3,303
Hong Kong dollar	1,706	2,275	1,883
Australian dollar	1,304	1,578	1,125
Singapore dollar	978	1,095	960
Other	2,256	2,615	1,390
	$ 72,049	$ 72,796	$ 65,622

Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market interest rates. The Plan manages interest rate risk by establishing a target asset mix of interest-sensitive investments and investments subject to other risks. Investments are actively managed to mitigate or take advantage of changes in interest rates.

The CF holds approximately 37.9% (2010: 36.3%) of its investments in fixed income securities, 5.7% in real estate (2010: 5.1%) and 56.4% (2010: 58.6%) in equities at December 31, 2011. As of December 31, 2011, a 1.0% increase in nominal interest rates would result in a decline in the fair market value of bonds of 5.5% (2010: 5.6%).

The terms to maturity are summarized in the table below:

($ thousands)	2011				
	Within 1 year	1 to 5 years	6 to 10 years	Over 10 years	Total
Federal	$ 48	$ 9,742	$ 1,244	$ 2,046	$ 13,080
Provincial	-	403	4,175	6,273	10,851
Municipal	-	-	794	-	794
Corporate	1,211	7,030	6,367	4,459	19,067
Total Return Bond fund	2,034	7,020	4,652	4,655	18,361
	$ 3,293	$ 24,195	$ 17,232	$ 17,433	$ 62,153

($ thousands)	2010				
	Within 1 year	1 to 5 years	6 to 10 years	Over 10 years	Total
Federal	$ 1,709	$ 6,754	$ 1,260	$ 2,815	$ 12,538
Provincial	-	-	5,017	5,419	10,436
Municipal	-	-	1,259	-	1,259
Corporate	990	6,245	7,904	3,966	19,105
Total Return Bond fund	1,195	6,644	4,634	3,807	16,280
	$ 3,894	$ 19,643	$ 20,074	$ 16,007	$ 59,618

Other price risk

Other price risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all financial instruments traded in the market. The CF is subject to price risk through its public equity investments and uses strategies such as target weighting and diversification by geography, industry sectors and corporate entity to manage this risk.

(iii) Liquidity risk

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity requirements are managed through income generated from investments, monthly contributions made by members and by investing in publicly traded liquid assets that are easily sold and converted to cash. These sources are used to pay benefits, fund operating expenses and make transfers at retirement.

(d) Investment performance

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

	Annual Return		Rolling Four Year Return	
	2011	2010	2011	2010
Portfolio return	0.0%	10.6%	1.5%	1.7%
Benchmark return	1.4%	8.4%	1.7%	1.4%

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

(a) Investments

The AF investments consist of the following:

($ thousands)	2011	2010	Jan 1, 2010
Bonds			
Federal	$ 12,150	$ 14,144	$ 14,653
Provincial	89,447	78,903	74,273
	101,597	93,047	88,926
Other			
Money market	1,197	1,403	736
Total AF Investments	$ 102,794	$ 94,450	$ 89,662

Bonds

The portfolio contains bonds that the Plan holds directly, all denominated and paid in Canadian dollars. Bonds are subject to a minimum quality standard of "BBB" or equivalent as rated by a recognized credit rating service at the time of purchase and no more than 15% of the market value of the total bond portfolio may be held in "BBB" issues. Corporate bonds must meet a minimum quality standard of "A" at the time of purchase and no more than 10% of the market value of the bond portfolio may be held in corporate bonds.

Money market

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.

(b) Fair value measurements

The Plan has classified its fair valued financial instrument holdings using the hierarchy that reflects the significance of the inputs used in determining their measurements.

Under the classification structure, financial instruments recorded at unadjusted quoted prices in active markets for identical assets or liabilities are classified as Level 1. Instruments valued using inputs other than quoted prices that are observable for the asset or liability either directly or indirectly are classified as Level 2. Instruments valued using inputs that are not based on observable market data are classified as Level 3. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The following table illustrates the classification of the AF's financial instruments within the fair value hierarchy as of December 31.

	2011				2010	Jan 1, 2010
($ thousands)	Level 1	Level 2	Level 3	Total	Total	Total
Money market	$ -	$ 1,197	$ -	$ 1,197	$ 1,403	$ 736
Bonds	-	101,597	-	101,597	93,047	88,926
	$ -	$ 102,794	$ -	$ 102,794	$ 94,450	$ 89,662

(c) Financial risk management

The investment objectives of the AF are to maximize retirement wealth, ensure sufficient assets to meet future pension obligations and to generate enough cash flow to meet pension obligations. The AF is exposed to a variety of financial risks as a result of its investment activities and has formal policies and procedures that govern the management of credit, market and liquidity risk.

These risks are managed by having an investment policy, which is reviewed and approved annually by the Board of Trustees. The investment policy provides guidelines to the AF's investment manager for the asset mix of the portfolio regarding quality and quantity of permitted investments. Funds transferred from the CF to the AF are used to purchase long-term bonds. The combined duration of the bonds purchased is matched to the duration of the annuities purchased from the AF. Under the policy of the Plan such bonds are generally held to maturity.

(i) Credit risk

Credit risk arises from the potential for issuers of securities to default on their contractual obligation to the AF. 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, 2011 the Fund's maximum credit risk exposure relates to bonds, accrued income and short-term investments totaling $103,707,275 (2010: $95,398,701). At year end the AF held bonds with a BBB rating of 0.0% (2010: 0.0%) and all other bonds were rated higher. Other than the Government of Canada, no single issuer represents more than 20.4% (2010: 18.3%) of the overall bond portfolio. Fixed rate bonds have effective interest rates ranging between 1.0% and 6.6% (2010: 1.2% and 4.7%).

(ii) Market risk

Market risk is the risk that fair value of an investment will fluctuate as a result of changes in market prices. Market risk is comprised of three types of risk which include foreign exchange risk, interest rate risk and other price risk. The investment policy addresses risk though an investment approach that allows investments solely in high quality fixed income instruments denominated in Canadian dollars. This mitigates the foreign exchange risk and other price 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 terms to maturity are summarized in the table below:

2011 ($ thousands)	Within 1 year	1 to 5 years	6 to 10 years	Over 10 years	Total
Federal	$ -	$ 2,125	$ 4,131	$ 5,894	$ 12,150
Provincial	3,292	17,086	22,877	46,192	89,447
	$ 3,292	$ 19,211	$ 27,008	$ 52,086	$ 101,597

2010 ($ thousands)	Within 1 year	1 to 5 years	6 to 10 years	Over 10 years	Total
Federal	$ 3,105	$ 937	$ 1,838	$ 8,264	$ 14,144
Provincial	48	18,263	19,808	40,784	78,903
	$ 3,153	$ 19,200	$ 21,646	$ 49,048	$ 93,047

(iii) Liquidity risk

The AF is exposed to liquidity risk through its responsibility to pay annuities on a timely basis.

The AF manages liquidity risk by maintaining adequate cash and cash equivalent balances. It ensures there is sufficient cash 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 obligations

The provision for annuity obligations 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 1.9% (2010: 2.8%) was used to determine the liabilities as of December 31, 2011. 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 7.4 years.

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 AF 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, 2011 and 2010, 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 $5,198,000 or if the interest rate decreases by 1.0%, the Provision for annuity obligation increases by $5,918,000.

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 $3.4 million and for the next ten years $10.5 million.

The next actuarial valuation is required as of December 31, 2014.

6. Earnings allocation to members

Investment income plus the change in the market value of investments less administration expenses are allocated monthly to members in the CF.

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 $146,006 (2010: $134,369) and at year end had $4,936 (2010: $5,288) in accounts payable with these related parties.

At December 31, 2011, the Plan has $4,362,552 (2010: $4,222,588) invested in Province of Saskatchewan bonds with varying maturity dates and interest rates. Interest income during the year was approximately $186,591 (2010: $200,820) and change in the market value of these bonds was approximately $139,965 (2010: -$1,660,888).

8. Administrative expenses

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

($ thousands)	2011	2010
Professional and consulting services	$ 983	$ 816
Salaries and benefits	830	778
Advertising and promotional	382	299
General administration	245	229
Information expense	191	174
Board expenses	49	46
Total Administrative Expenses	$ 2,680	$ 2,342
Allocated as Follows:		
Contribution fund	$ 2,223	$ 1,925
Annuity fund	457	417
	$ 2,680	$ 2,342

9. Lease commitment

The Plan is committed to an operating lease for office space to January 31, 2012 with minimum remaining lease payments of $8,677 due to a related party. Subsequent to year end the Plan entered into a new lease with minimum monthly payments of $10,017, expiring February 2015.