

# Contributions

The Saskatchewan Pension Plan Newsletter

March 2003



## 2002 Investment Highlights

Despite some good news in the fourth quarter of 2002, equity markets provided disappointing results for yet another year. Following on the heels of weak or negative returns in the prior two years, global equity markets were again negative in 2002. Among the major concerns for equity investors were weaker than expected economic growth, continuing worries about the quality of reported corporate earnings and a general unease over tensions in the Middle East. These concerns were especially noticeable in the U.S., where the S&P 500 recorded its third consecutive year of decline.

As with 2001, the good news in 2002 came from the bond market as interest rates again declined, providing investors with capital gains as well as interest income.

The Contribution Fund (CF) holds all assets of members who have not yet retired. The purpose of the fund is to provide members with long term capital appreciation. Total assets in the CF were \$136.7 million at year end, a decrease of 5% over the previous year. SPP's income allocation policy, which smoothes the fund's market performance by blending this year's market gains and losses with a portion of those from the preceding three years, allocated a return of 2.87% to members in 2002, bringing the ten year average return to 10.3%. The market return for the year was -1.21%.

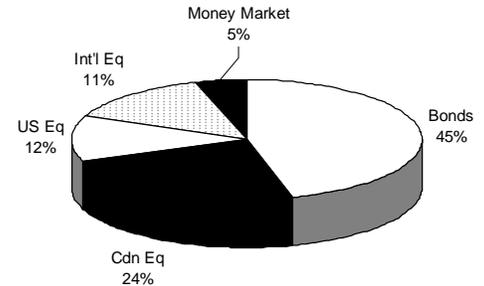
### Equities

In Canadian equities the S&P/TSX Composite Index (formerly called the TSE 300 Index) fell 12.4% in the year, almost matching the 12.6% loss in 2001. SPP's Canadian equity portfolio returned -3.3%.

For the second consecutive year Technology companies had very weak returns which, when combined with losses in the Health Care, Industrial and Consumer Discretionary sectors, pulled the index into negative territory. There was some

2002 Market Returns (in Canadian dollars)		
	Index Return %	SPP Return %
S & P/TSX 300	-12.4	-3.3
S & P 500 US Eq.	-22.9	-19.3
MSCI EAFE Non NA Eq.	-16.6	-9.8
SC UBI Bonds	8.7	9.0
91 Day T-bills Money Market	2.5	XX

Contribution Fund Portfolio  
at December 31, 2002



positive news in 2002, however, as the Energy and Materials sectors posted positive returns.

In U.S. equities, the S&P 500 fell 22.9% in Canadian dollar terms. SPP's U.S. equity portfolio returned -19.3% for the year. This marked the third consecutive year of negative returns and the longest annual losing streak since 1939-41. Similar to the Canadian market, Information Technology and Telecom Services stocks lagged in the year, although all 10 sectors earned negative returns.

Non-North American equities, as measured by the EAFE index, lost 16.8% in 2002, which followed losses in the previous two years. SPP's Non-North American equity portfolio returned -9.8%. In local currency terms, all twenty-one EAFE countries posted losses in 2002. In Canadian dollar terms, Austria and New Zealand earned positive results as a declining Canadian dollar generated currency gains for these, and most other EAFE countries.

### Fixed Income

As was the case in 2001, bond and short-term investment returns in 2002 were positive, illustrating the benefits of diversification in balanced portfolios. The Universe Bond Index earned a solid 8.7% return in

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## Member Annual Statements

You may notice that your Member Annual Statement looks a bit different this year. We have made some slight changes to make the statement more useful to you.

### Member Information

Please check your name and mailing information on your annual statement. If your name has changed SPP requires a document to complete the change. If you are recently married a photocopy of your marriage certificate is required. If you are reverting to your maiden name, SPP requires a photocopy of your birth certificate. Address changes can be made by calling SPP.

Your account number is located top right corner. If you are making your contribution at a bank or on the Internet, you will need your account number. If you are mailing your contribution to the Plan, either your social insurance number or your account number can be used.

### 2002 Calendar Year Statement

This box, located at the top of your statement, summarizes your contributions and the amount of interest added to your SPP account. Please note that contributions

made to your account after December 31, 2002 will appear on your 2003 statement. The 2002 interest rate is reported directly below this box.

Your beneficiary is listed on your statement. If you have named more than one beneficiary, you may call SPP to verify your selection if you wish. To update your beneficiary information, please contact our office for details.

### Pension Estimate

The pension estimate provided on your statement is based on the assumptions shown. You may notice changes in your estimate from year to year. These changes may be due to: the timing of your actual contribution, missing a contribution, changes in interest rates, and changes in annuity rates. Please remember these are only estimates. If you are considering retirement from SPP, please call our office and speak to the Retirement Officer. This person will provide you with current retirement information.

It is important to review your annual statement when you receive it. Please report any discrepancies or errors to SPP. ❖

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## Investment Highlights

2002 after earning 8.1% in 2001 and 10.2% in 2000. SPP's bond portfolio returned 9.0%. In all periods, capital gains from falling interest rates generated much of the favourable return as interest rates fell to 40 year lows.

Further details about SPP investments are found in the 2002 Annual Report, available on request from the Plan.

### The Future

Looking forward, the potential war with Iraq hangs over all markets. This has several short-term ramifications for oil prices, government budget deficits and consumer confidence (influenced by possible terrorist reprisals) as well as producing longer-term uncertainties regarding regional power balances and reconstruction costs. However, SPP's investment managers anticipate modest economic growth in both Canada and the United States in 2003. ❖

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## Member Information

We would like to assure you that the personal information SPP has related to your account is secure. SPP's privacy policy prevents anyone from accessing your information without your permission.

SPP does not use outside suppliers to store your data nor does the Plan allow electronic access to your records from outside the office.

If you have any further questions please contact our inquiry centre. ❖

## Good Question

**Q.** Will the contribution limit be increased?

**A.** Increasing the contribution limit is the most common request received from members each year. The Board of Trustees is aware of how important this change is to you. An increase to the contribution limit will require agreement from the federal government since the limit is part of *The Income Tax Act* (Canada). ❖

## Stay in Touch

We want to keep your account information up-to-date. Please advise us when:

- your address changes;
- you want to change your beneficiary;
- you change your name; or
- you change your banking information.

### To contact SPP:

Toll-free	1-800-667-7153
TTY	1-888-213-1311 (for the deaf, late deafened, and hard of hearing)
Fax	1-306-463-3500
Mail	Box 5555 Kindersley SK S0L 1S0
Internet	<a href="http://www.spp.gov.sk.ca">www.spp.gov.sk.ca</a>
E-mail	<a href="mailto:office@spp.gov.sk.ca">office@spp.gov.sk.ca</a>

## Strategic Direction

Last year we introduced you to the work we had done on a strategic plan for SPP. We made a commitment to keep you up to date with our progress toward the goals set for the Plan. SPP's goals are: to increase Plan membership; to increase Plan assets; and to manage our business effectively and efficiently.

### Progress in 2002

#### Goal 1: Growth of SPP membership

This goal will be accomplished by continuing to marketing to employers and to people under the age of 40. The target for new employers in 2002 was 25. During the year, eight new employer plans were enrolled and the average age of new members was 38.3 years.

A second objective used to achieve this goal is to experience net growth in new membership of 2% year over year. The target for 2002 was 700. During the year 553 people joined SPP.

#### Goal 2: Growth of SPP Assets

The strategy to achieve this goal is to increase member contributions by 2% year

over year. The 2002 target was \$4.95 million in contributions. Actual contributions received from members during the year totalled \$4.89 million.

Providing superior customer service will assist with growing membership and assets. To achieve this objective SPP is developing service standards as part of its Governance structure.

#### Goal 3: Manage SPP's business effectively and efficiently

Maintaining an expense ratio of 1% or less through to 2005, implementing board/management governance structure by 2002, and developing service standards related to customer service by 2002 are the objectives developed to achieve Goal 3. During 2002 the actual expense ratio was 0.85%. The Governance structure, including customer service standards, is in progress with plans to have it completed in 2003.

Marketing of SPP contributes significantly to achieving Goals 1 and 2. During 2002, marketing efforts focused on new mem-

ber and contribution recruitment. Activities included media campaigns, member mailouts, and trade shows. These marketing efforts are not executed in isolation. Many other factors come into play as people make investment decisions. During 2002, the investment market performance and many challenges in the rural economy impacted SPP's ability to achieve the targets set. In addition, a main component of the employer plan recruitment strategy had to be delayed which impacted employer plan growth and new member recruitment targets.

The Saskatchewan Pension Plan Board and Management is continually monitoring the Plan's external environment, core competencies, and input from Plan members as it determines the Plan's future direction. At SPP, strategic planning is a process rather than an event. The focus of future plans is to support our mission – 'Provide people with the opportunities to make their financial lives better'. Growth potential exists for SPP and, in 2003, the Plan will continue to develop strategies that will help meet the targets. ♦

## Administrative Expenses

### SPP Administrative Expenses

	2002	2001
Personnel	\$618,258	\$568,796
Professional Services	516,045	505,139
Advertising	261,590	235,716
General Administration	174,477	172,169
Computer Systems	80,178	65,589
Board	18,982	17,131
<b>Total</b>	<b>\$1,669,530</b>	<b>\$1,564,540</b>

Administrative expenses in 2002 were \$1.67 million, or 0.85% of the Funds' net asset base. These costs are paid from Plan earnings. SPP's expense ratio is competitive with the market place as many mutual fund fees range from 1% to 2.5% or higher. SPP continues its focus on providing efficient service at a reasonable cost.

The chart on the left shows a synopsis of Plan operating expenses for the past two years. SPP is committed to providing personal service to members, therefore personnel costs are the highest of all budget categories. Professional services include the cost of hiring investment managers, custodians, and consultants to advise the Board of Trustees on issues related to governance and investing members' money.

Advertising includes the cost of all marketing initiatives during the year. General Administration expenses include items such as office rental, supplies, and telephone service. Board expenses cover all honorariums and expenses paid to Trustees. ♦

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

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

## Employer Plan

If you are an employer who would like to offer your employee(s) a pension option SPP can help. A pension plan is a great benefit you can offer to help keep your trained and skilled employees. And, if you're too busy to administer a pension program, we aren't - it's what we do.

Employees between the ages of 18 and 69 are eligible to become members of the Plan and contribute a maximum of \$600 per year. Contributions can be made by the employee through payroll deductions, by the employer, or a combination of both. The total amount contributed cannot exceed \$600. Contributions to the member's account are locked in until retirement which is any time between the ages of 55 and 69.

Jennilee Jule is busy promoting SPP's Employer Plan this year. Jenn is a third year student at the University of Regina and is studying Marketing and Finance.

If you are a small business owner in Saskatchewan, Jenn may be calling you. Employers who would like more information about SPP can contact Jenn by phone at (306)477-6382, fax (306)373-5699 or by email- [jjule@sasktel.net](mailto:jjule@sasktel.net). ❖

## Contribution Timing

It seems that the close of a calendar year motivates us to make our yearly contribution to SPP. To gain maximum growth on your SPP account, it is recommended that you contribute at the beginning of each year.

Making your contribution January 1, 2003 for the 2003 tax year gives you the opportunity for maximum account growth.

If contributing a lump sum of \$600 in January is difficult for you, the Pre-Authorized Contribution (PAC) program may be the answer. Contributing regularly on PAC also provides excellent account growth. To participate in the PAC program simply complete the application below and return it to the SPP office with a VOID cheque. Contact the SPP office today to answer any questions you may have about the PAC program. ❖

## Lost

We are trying to locate May Chin. If you know her address please contact SPP with that information. ❖

## Tax Receipts

Tax receipts for contributions made before February 24, 2003 have been mailed. Receipts for contributions made since then are being mailed daily. If you do not have your tax receipt yet, please contact the office immediately. We will issue you a duplicate receipt.

### Spousal receipts

Contributions made to your SPP account may be used as an income tax deduction by either you or your spouse. If you made your contribution at a financial institution, the spousal information may not have been forwarded to SPP. If your receipt needs to be re-issued in your spouse's name, contact our office on the toll-free line with your spouses name and social insurance number.

If you mail your contribution to SPP, complete the spousal information box on the right hand side of the contribution form. PAC applications also have the box for spousal information on the right hand side. Please review your receipt when you receive it. If you notice any discrepancies please notify SPP. ❖

## Pre-authorized Contribution Application

Name on SPP Account: \_\_\_\_\_

SPP Account number: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

Telephone: (Bus) \_\_\_\_\_ (Res) \_\_\_\_\_

Payment frequency:  Monthly

Semi-annual

Annual

Single contribution amount: \$ \_\_\_\_\_

Date for first contribution: Month \_\_\_\_\_

Day (circle one): 1st or 15th

### Complete for spousal deduction only

Spouse Name \_\_\_\_\_

Spouse SIN \_\_\_\_\_

If address is not the same as member, please attach mailing address separately.

I authorize SPP and my financial institution to begin deductions for the contributions. This authority is to remain in effect until SPP has received written notification from me, or until SPP has sent me a written notice of termination of this agreement. I acknowledge that SPP has the authority to terminate this PAC arrangement.

Signature (Must have signing authority for this bank account) \_\_\_\_\_

**Please supply a "VOID" personal cheque for the above account. (For joint accounts, all depositors must sign when more than one signature is required on a cheque issued against that account.)**