Contributions

*The Saskatchewan Pension Plan Newsletter*

**May 2003**

# Bear Markets and SPP

A "bear" market is how some financial experts describe the recent market downturn that we are experiencing. The general definition of a bear market is a market that has declined by 15% to 20% or more. Historically, these declines have been short-lived and were followed by periods of recovery (in Canada, the average recovery has taken approximately 30 months). On the other hand, a "bull" market is experienced when equity prices rise for an extended period.

"...remember that market fluctuations are normal..."

It is important to remember that market fluctuations are normal and similar declines have happened in the past. While the current bear market has been severe and prolonged, it comes at the end of the best bull market ever, and is accompanied by a generally healthy economy.

SPP is not immune from the effects of a "bear" market as we do invest in the equity market. Our history with equities has proven itself by generating strong returns for SPP members. SPP's life to date average is 9.7%.

Your investment in SPP is designed for long-term growth and we believe our investment strategy will achieve that growth.

(SPP would like to thank Public Employees Pension Plan for allowing us to use this article). ❖

# Quarterly Update

(to March 31, 2003)

The preceding speculation and eventual start of the War in Iraq depressed markets worldwide in the first quarter of 2003. It was another volatile quarter dominated by geopolitical events and poor economic reports across most regions. The S&P/TSX (formerly TSE 300) fell 3.5%; the S&P 500 fell 9.8%; the MSCI EAFE index fell 14.5% and the SCUBI fell 0.7% in the quarter.

The Plan's income allocation policy continues to smooth the Plan's market performance by blending this year's market gains and losses with a portion of those from the preceding three years. The fund's market return at March 31, 2003 was -4.5%. After applying the smoothing policy, the interim interest rate for the same period was -3.3%.

The S&P/TSX Index (Canadian Equities) fell 3.5% and the volatile quarter saw the price of oil and gold fluctuate as investors speculated on the War in Iraq. Only three sectors showed positive returns over the quarter. Health Care and Information Technology were the top performing sectors while Materials and Industrials were the worst performers. Canadian economic reports were somewhat positive as the unemployment rate remained unchanged at its lowest level since October 2001. Canada's trade surplus rose in January with exports rising largely due to high energy prices. The Canadian dollar appreciated in the quarter versus the falling US dollar, Pound, Euro and Yen.

The S&P 500 (US Equities) lost 9.8% (C$) over the quarter. All of the sectors finished in negative territory. The top two sectors were Heath Care and Energy and the bottom two sectors were Materials and Telecom Services. Despite President Bush's announced economic stimulus package, the US market was hit with a flurry of negative economic reports. Consumer confidence fell to a nine-year low and consumer spending stalled in January and February. Employment numbers fell heavily in December and February alongside an increasing trade deficit.

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Saskatchewan Pension Plan

## Quarterly Update

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MSCI EAFE (Non-North American Equities) Local Index fell 14.5% (C$). Growth stocks narrowly outperformed value stocks, although neither style was able to protect capital over the volatile quarter. The Europe region, excluding the UK, fared the worst over the quarter, impacted mostly by the Netherlands, Germany and France. The Pacific region, excluding Japan, fared the best led by New Zealand and Australia. Emerging markets outpaced the EAFE Index for the second straight quarter, led by continued improvement in Latin America.

The SCUBI (Canadian Bonds) fell 0.7%. This was the first negative quarter since March 2002. In February, the Bank of Canada raised interest rates 0.25% to 3.0% in an attempt to curb rising inflation. The increase marked the first rate movement since July, 2002.

The chart below shows the holdings in the Contribution Fund as at March 31, 2002.❖

| Investment Holdings | |
|---|---|
| Canadian Eq | 22.8% |
| US Eq | 12.5% |
| Non North American Eq | 12.0% |
| Bonds | 46.1% |
| Short Term | 6.6% |

## Your Ideas

Your input is important to us. If you have suggestions for improvement to our customer service or products, we would like to hear from you. Please contact us by phone, letter or e-mail with your suggestions and ideas. ❖

## Need to Update?

- Have you moved?
- Is your beneficiary information current?
- Have you recently married or changed your name?
- Have you changed banks?

## 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<br>Kindersley SK S0L 1S0 |
| Internet | www.spp.gov.sk.ca |
| E-mail | office@spp.gov.sk.ca |

## Tax Receipts

Each year we receive requests to amend tax receipts so that the member's spouse can use the deduction on their income tax form. Contributions to SPP can be used by either the member or spouse. In order to make a tax deductible contribution, the person intending to use it on their income tax form must meet the income guidelines established by Canada Customs and Revenue Agency.

If both husband and wife are members of the plan and one spouse contributes to both plans, the maximum tax deduction is still $600.

To receive an amended receipt the member must contact SPP with the spousal information. ❖

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.

## Power of Attorney

An article in our October 2002 newsletter discussed the situations where SPP may require a power of attorney (PA). The province of Saskatchewan recently changed it's PA legislation and we'd like to highlight some of those changes for you.

*The Powers of Attorney Act, 2002* provides for the use of enduring or continuing powers of attorney, including contingent enduring powers of attorney.

An enduring PA means that the PA will remain in effect after you become incompetent. There are two types of enduring PA's. The first type takes effect when the document is completed. The second type is specific to certain situations such as mental incapacity or leaving the country. This is called a contingent PA.

Choosing a PA requires serious thought. Your PA will be responsible for making decisions about your financial affairs. Questions you may want to ask yourself are:

- Will they act honestly and in good faith?
- Will they make decisions that will be in my best interests?

Under the new Act, there are restrictions on who can act as your attorney. He or she cannot be your attorney if;

- he/she are under 18 years of age,
- he/she is an undischarged bankrupt,
- he/she has had a criminal conviction in the last 10 years for fraudulent or violent crimes,
- he/she provides personal or health care services to you for compensation.

You can revoke the authority of your attorney at anytime. It must be done in writing and you must be mentally capable. Your attorney can also provide written resignation. The PA is also revoked at either the grantor or attorney's death.

With the changes made to the Act you may want to seek legal advice on any PA's that were completed before the new Act. For further information please contact the Public Guardian and Trustee at 1-306-787-5424 or PLEAat 1-306-653-1868. ❖