

Contributions

The Saskatchewan Pension Plan Newsletter

March 2004



Saskatchewan Pension Plan

2003 Investment Highlights

Equity markets began on a negative note in 2003. Investors were afraid that the world economy could follow Japan's lead into deflation and the outbreak of war in Iraq further undermined confidence. However, by the end of the year investor confidence had grown and a global recovery began to build. As a result, after three consecutive years of painful negative returns, two in Canada, global stock markets mounted substantial comebacks in 2003. The gains came despite sputtering economic indicators, more corporate scandals, and another Iraqi war. SPP's year-end return was 7.8%.

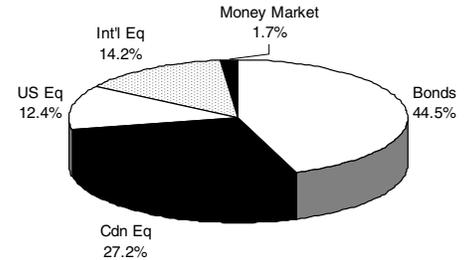
Canadian Equities

Despite a number of natural disasters, outbreaks of SARS, and mad-cow disease, the Canadian equity market saw its first annual positive return in three years. A bend-but-don't-break economy aided by high commodity prices and rising corporate profits pushed markets higher. The S&P/TSX Composite Index gained 26.7% for the year. Over the past 12 months, only three sectors managed to outpace the Index return. However, eight of the ten sectors had returns greater than 20%, illustrating the broad-based market gains. Information Technology stocks continued to rally from lows in 2002 on increased product demand. SPP's Canadian equity portfolio returned 26.5%.

US Equities

The US largely fuelled the global economic revival. The Federal Reserve did not increase the interest rate and there was a \$350 billion economic stimulus package from the Bush administration. This boosted cash flows of companies and consumers alike. However, the Canadian dollar appreciated 22% versus the US dollar in 2003 and this detracted from investment returns. The S&P 500 Index returned 28.7% US\$ but only 5.3% when converted to Canadian dollars. Similar to the Canadian equity market, the Information Technology sector led the broad US market for the year. In US dollars, all sectors had positive returns. Climbing corporate profits, increased consumer confidence, tax incentives and

Contribution Fund Portfolio
at December 31, 2003



historically low interest rates, all propped up US equity markets. These events overshadowed regulatory investigations of some large mutual fund managers and the ongoing threat of terrorism. SPP's US equity portfolio earned 7.6%.

Non-North American Equities

Non-North American equities, measured by the MSCI EAFE Index, were up 20.3% for the year in local currencies and 13.4% when converted to Canadian dollars. This is also the first positive return in three years. Regionally, the Pacific region, excluding Japan, fared best. Japan lagged the EAFE Index but posted its first positive annual return since 1999. Strong returns from Germany, Spain and France pushed Europe, excluding the United Kingdom, above the EAFE Index. The United Kingdom and the Netherlands were the weakest performers in the European region for the year. The Information Technology sector was also a strong global performer. SPP's non-North American equity portfolio earned 11.2%.

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Highlights

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Fixed Income

The Canadian bond market, as measured by the Scotia Capital Universe Bond Index (SC UBI), returned 6.7% for the year. This was the smallest advance in four years. The Bank of Canada cut the interest rate twice in the year, finishing the year at 2.75% compared to 1% in the US. Over the year, yields fell across all bond maturities with long term bonds declining the most. Corporate bonds outperformed both federal and provincial bonds in the year. SPP's bond portfolio earned 7.1%.

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. The two investment managers, Greystone Managed Investments, Inc. of Regina and Leith Wheeler Investment Counsel Ltd. of Vancouver, invest funds in a balanced portfolio of equities and bonds. SPP's Annual Report and a complete list of investments are available on request.

Total assets in the CF were \$149.5 million at year end. ❖

2003 Market Returns		
	Index Return %	SPP Return %
S & P/TSX 300	26.7	26.5
S & P 500 US Eq. (C\$)	5.3	7.6
MSCI EAFE Non NA Eq. (C\$)	13.4	11.2
SC UBI	6.7	7.1

Income Allocation

SPP's income allocation policy was amended as of December 31, 2003. This policy determines how net earnings are distributed to member accounts each year. In previous years, all interest and dividends were allocated to members in the year received and realized and unrealized capital gains and losses were 'smoothed' over 4 years. This smoothing policy evened out, but did not remove, the volatility of market rates of return. While actual and smoothed rates of return equal out over time, smoothing decreased the potential of a negative return in years, such as the past three, when markets performed poorly.

The policy now provides for allocating 100% of the market rate of return, less operating expenses, to members. This is comparable to how earnings are allocated in the mutual fund industry. SPP members will now be able to make fair comparisons between SPP's return and those of other similar investment products.

The Board of Trustees continues to manage risk to the investment portfolio in a number of ways. While returns are not guaranteed, the Board attempts to reduce the overall level of risk by:

- diversifying the asset classes – the fund is invested in Canadian bonds and stocks as well as global equities;
- diversifying within each asset class – funds are invested in a number of different sectors and companies;
- employing managers with both growth and value investment styles; and
- monitoring compliance of the investment managers to the investment policy which sets out the quality, quantity and diversification guidelines for the Fund.

These practises are aimed at maximizing return and minimizing risk to members. However, the Fund is subject to market forces and as market returns rise and fall, so will SPP returns. The market return for 2003, after taking into account all gains and losses carried forward from the previous three years, was 7.8%. ❖

Privacy Policy

SPP takes the protection of your personal information very seriously. SPP only collects the personal information necessary to administer the program. The general rule of SPP's internal privacy policy stipulates that personal information can only be disclosed to the member. Exceptions are only made if there is written consent from the member to whom the information relates.

The Freedom of Information and Protection of Privacy Act (FOIPPA) was enacted in 1992 and is the major piece of provincial legislation governing privacy. SPP is subject to this legislation.

As a member of SPP, you can expect the personal information on file with the Plan will be kept private. If you have questions about SPP's privacy policy, please call the toll-free line. ❖

Beneficiaries

When you join the Plan you must designate a beneficiary. A beneficiary can be a person(s), estate or organization. Your beneficiary receives the balance of your account when you die. The beneficiary of your account is shown on your annual statement.

If your beneficiary is your spouse, he or she has three options when you die: take a lump sum payment, less withholding tax; transfer, tax free, to his or her SPP account; or transfer, tax free, to an RRSP/RRIF. If your beneficiary is someone other than your spouse he or she will receive the balance of your account in a lump sum, less withholding tax. When a lump sum payment is made to a beneficiary, this person must claim the payment as income in the year it is received. SPP issues a T4A directly to the beneficiary.

You may change your beneficiary at any time prior to your death. Change of Beneficiary Forms are available on our web site or by calling SPP. If more than one beneficiary is named, it is important to indicate the percentage that each beneficiary is to receive. ❖

Member Annual Statements

Member Information

Each year Annual Statements are returned to SPP because we do not have the current addresses for members. Updating your mailing address and phone number is easy. Simply call SPP on the toll-free line.

Name Change:

We require the following documentation to change your name:

- due to a marriage – a photocopy of your marriage certificate.
- returning to your maiden name – a photocopy of your birth certificate.

Your account number is located in the top right corner of your Annual Statement. If you make your contribution at a financial institution or on the Internet you will need this number.

Beneficiary Change:

Your beneficiary's name appears directly below the interest rate. If you have more

than one beneficiary you can contact SPP to confirm who your beneficiary is.

If you wish to change your beneficiary you can call SPP for a Designation of Beneficiary form or download it from our web site.

2003 Calendar Year Statement

The box at the top of your statement provides you with a summary of the activity in your SPP account during 2003. This portion of the statement summarizes the contributions made by you and the interest your account earned in 2003. Contributions made to your account after January 1, 2004 will appear on your 2004 Annual Statement. The 2003 interest rate is listed directly below this box.

If you contribute by pre-authorized payments and need to change your bank information, simply send a VOID cheque from your new account or have your bank fax the new information to SPP.

Please take the time to review your statement carefully. If you notice a discrepancy call SPP on the toll-free line. ❖

Growth

At SPP our goal is growth. We are striving for membership growth and asset growth. During 2003, 640 people joined the Plan, up from 553 in 2002. Assets grew as a result of investment returns and \$4.9 million in member contributions.

New member profile

- 73% of new members identify themselves as full-time, part-time, or self-employed.
- Average age of new members in 2003 was 39 years.
- 56% of the new members were women.



The services and benefits of a wise investment.

Administrative Expenses

Administrative expenses in 2003 were \$1.8 million, or 0.9% 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 right 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 budget category.

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. The IT department requires continual upgrading and training in order to maintain and enhance SPP's computer-based environment.

General Administration expenses include items such as office rental, supplies, and telephone service. Board expenses cover all honorariums and expenses paid to Trustees to attend meetings and obtain training required to fulfill their duties as trustees of the Fund. ❖

SPP Administrative Expenses

	2003	2002
Personnel	\$ 651,125	\$ 618,258
Professional Services	528,347	516,045
Advertising	268,831	261,590
General Administration	230,638	174,477
IT Expenses	113,960	80,178
Board	26,103	18,982
Total	\$1,819,004	\$1,669,530

Employer Plan

SPP offers an affordable pension plan option for businesses. Only minimal administration is required by the employer and the pension is locked-in so the employer is assured funds will be used for employee's retirement.

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

SPP's Employer Plan option had excellent growth in 2003. If you would like to be part of this option, please call SPP to set up a meeting, a presentation, or to have information sent to you. ❖

PAC

If you would like to contribute on a pre-authorized schedule, simply complete the application below and send it along with a void cheque to SPP. ❖

Tax Receipts

Contributions made on or before March 1, 2004 have been receipted. If you have not received your receipt please call SPP for a duplicate. If you notice an error on your tax receipt, please report it to SPP.

SPP contributions can be used as a tax deduction by either you or your spouse. In order for the spousal tax receipt to be issued correctly, we require the name and social insurance number of your spouse when you make the contribution.

Tax receipts issued between January 1 and March 1, 2004 can be used as a deduction for the 2003 or 2004 tax year. SPP contributions are entered on line 209 of your Income Tax form. ❖

The SPP 'Contributions' Newsletter 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.

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
Fax	1-306-463-3500
Mail	Box 5555 Kindersley SK S0L 1S0
Internet	www.spp.gov.sk.ca
E-mail	office@spp.gov.sk.ca

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.)