

Contributions

The Saskatchewan Pension Plan Newsletter

May 2005

Quarterly Update

(to March 31, 2005)

Summary

The first quarter of 2005 was marked by significant developments for Canadian investors, with the announcement of the inclusion of income trusts in the S&P/TSX Composite Index and the elimination of foreign content restrictions on tax-deferred retirement savings and pension plans.

The SPP fund returned 1.7percent for the quarter compared to the benchmark of 1.5percent. The chart below shows the holdings in the Contribution Fund as at March 31, 2005.

Asset Class News

The S&P/TSX Composite Index (Canadian equities) finished the quarter up 4.4percent, outpacing both the S&P 500 Index (U.S. equities) and the MSCI EAFE Index (Non-North American equities).

Over the quarter, Energy and Telecom Services were the two best performing sectors. Four of the ten sectors in the Index had negative returns, with Information Technology being the worst performing sector.

The Canadian dollar ended the quarter down one percent. Exports fell for the second consecutive quarter and Canada's manufacturing sector continues to struggle, as 28,000 manufacturing jobs were lost in February. This marks the biggest one-month job loss for this sector in two years.

U.S. equities, measured by the S&P 500 Index, were down 2.2 percent (US\$), or -1.2 percent in Canadian dollar terms in the quarter. Energy and Utilities were the leading sectors in this market while Telecom Services and Financials were the worst returning sectors. More than one-half of the sectors were in negative territory when measured in U.S. and Canadian dollar terms.

Non-North American equities, measured by the MSCI EAFE Index, were up 3.4 percent in the quarter in local currency, or 0.8percent in Canadian dollars. The Pacific region, excluding Japan, fared best in the quarter. The Europe region, excluding the United Kingdom, underperformed due in part to poor performance from Ireland.

The Canadian bond market, as measured by the Scotia Capital Universe Bond Index, returned 1.1percent for the quarter. Yields on long-term bonds declined while yields rose on short and mid-term bonds. Performance-wise, long-term bonds outperformed both mid-term and short-term bonds. ♦

Benchmark

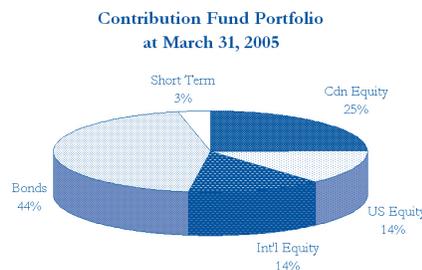
The May 2004 newsletter contained a member service survey. Members suggested that we provide explanations of terms frequently used in our newsletters. The term explained in this newsletter is Benchmark.

The Board of Trustees establishes a benchmark in order to align the Plan's risk tolerance with the investment portfolio and to help them assess the performance of an investment manager. The investment manager's primary objective is to outperform the benchmark while working within the Plan's investment policy.

The benchmark is comprised of market indices (S&P/TSX, S&P 500, MSCI EAFE and SCUBI) at various weights and represents the target rate of return for the fund.

SPP's benchmark portfolio is:

| | |
|---------------------|-----|
| Cdn Equities | 22% |
| US & Int'l Equities | 28% |
| Bonds | 47% |
| Short Term | 3% |



Foreign Content

You may be aware of the announcement in the February 23, 2005 Federal Budget eliminating the foreign property rule (FPR) for tax-deferred retirement plans like the SPP. This rule capped the foreign content in the Plan at 30 percent of assets. Removing the FPR makes the direct participation by the SPP in foreign markets and instruments more straight forward. The Board of Trustees will be reviewing the Plan's investment policy to determine the appropriate mix for the SPP once the law changes. Any changes will be communicated to you in future newsletters. ❖

Income Trusts

An income trust is an entity that holds an underlying asset or assets. Most of the income these assets generate is distributed to unit holders of the trust. An income trust is formed when, instead of offering securities directly to the public, an operating entity creates a trust. The trust offers units to the public and uses the proceeds to purchase the common shares and high-yield debt of the operating entity. The combination of the trust's equity and debt holdings allows the income to flow through to unit holders essentially tax-free.

Income Trusts will be added to the S&P/TSX Composite Index (Canadian equities) sometime in 2005. The trigger for this change was the adoption of legislation in Ontario in 2004 that limits the liability of income trust unit holders. The Plan's current investment policy does not permit income trusts in the portfolio. This issue will be reviewed as a result of these recent changes. ❖

Designation of an SPP Beneficiary

Unpredictable circumstances that happen in life may change your choice of beneficiary. Marriage and marriage breakdowns, changes in financial obligations, death of a beneficiary, or birth of children are some of the things that may cause you to reconsider your beneficiary. Failure to update or incorrect wording may cause a payment to be allocated to an unintended person.

The amount of a death benefit paid to a beneficiary is taxable and must be claimed in the year in which it is received. The beneficiary will be issued a T4A to be included with their income tax return.

SPP provides you with beneficiary information on your annual statement. Please review your annual statement and call SPP if you have any questions about your beneficiary. Changes to your beneficiary must be done in writing by the member. The Designation of Beneficiary form can be obtained by phoning the SPP office or by downloading it from our website. ❖

Annual Report

SPP's annual report is now available. You can obtain a copy of the report by downloading it from our website or by calling the SPP office on the toll-free line and have it mailed to you.

Other items available on our website are:

- list of investments;
- previous newsletters; and
- Member and Retirement Guides. ❖

Stay in Touch

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

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

The SPP Newsletter 'Contributions' is issued three times per year. If any discrepancy arises between the information contained in this newsletter and the Act, the Act will prevail. ❖

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