

# Contributions

*The Saskatchewan Pension Plan Newsletter*

## Celebrating 20 Years

With a newly announced return rate of 10.1 per cent for 2005, Saskatchewan Pension Plan (SPP) continues to prove its stability and performance into its 20<sup>th</sup> anniversary year.

Since inception in 1986, SPP has provided an easy, flexible means of retirement saving for anyone between the ages of 18 and 69. Today the plan exceeds \$259 million in assets and has grown to more than 30,000 members.

“The Saskatchewan Pension Plan provides tremendous benefit to the residents of this province,” General Manager Katherine Strutt said. “The Plan has never experienced a negative return, and has been a strong performer every year - the average annual return rate since inception is 9.6 per cent.”

The Plan consists of a balanced fund for investment and an annuity fund for retirees. It is professionally managed by Greystone Managed Investments Inc. and Leith Wheeler Investment Counsel Ltd. and ranks among Canada’s top 50 defined contribution pension plans.

The Plan is designed to accommodate virtually anyone’s financial position — students, farmers, self-employed persons, stay-at-home parents, part-time and full-time employees. There is also an employer plan suited for small businesses. Contributions can be made at any time, in any amount up to \$600 per year. Just like an RRSP, contributions can be claimed as a deduction on a tax return, providing the investor has RRSP room. There are no membership fees, nor are there any sales commissions when contributing or upon retirement.

“The Saskatchewan Pension Plan is a long-term, winning investment option,” Strutt said. “It’s a reliable and easy way to invest your money for a competitive return.”

Member loyalty is key to SPP’s success. Thank you for being part of our history. We look forward to continuing our service to you. ❖



“The Saskatchewan Pension Plan is a long-term winning investment option”

## Member Information

Included with this newsletter is your 2005 Member Annual Statement. Please review your annual statement information and report any discrepancies to SPP. The balance on this statement includes contributions and interest to December 31, 2005.

### Address Changes—Easier Than Ever

Changing your mailing address at SPP is easier than ever since SPP now subscribes to

 [www.expressaddress.com](http://www.expressaddress.com)

- Log on to [www.expressaddress.com](http://www.expressaddress.com) to update your address with SPP and other agencies.

You can also change your address using any of the following methods:

- Call the toll-free line at 1-800-667-7153. Address updates can only be accepted from the member unless written authorization is on file;
- Mail your address change to Box 5555 Kindersley SK S0L 1S0;
- E-mail us at [office@spp.gov.sk.ca](mailto:office@spp.gov.sk.ca);
- Fax your address change to 306-463-3500; or
- Email your address change to [office@spp.gov.sk.ca](mailto:office@spp.gov.sk.ca). ❖

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## Investment Highlights

Surging energy prices favoured oil and gas producer/refiners along with related industries in 2005. Energy was the top sector in all major equity markets. Canadian and US corporate earnings, led by energy, grew at solid double-digit rates. It was the third consecutive year of such growth. Core inflation was not a worry in 2005, despite the hurricane-inspired fears in the third quarter. This encouraged investors to add longer-dated bonds and prompted yields to fall. Finally, over the course of 2005 the Canadian dollar appreciated against the US dollar and other core currencies. While this helped attract foreign capital to Canada there were adverse consequences as the US and Europe, Australia and Far East (EAFE) returns were reduced after translation into Canadian dollars. SPP's year end return was 10.1 per cent.



### Canadian Equities

The S&P/TSX Composite Index returned 24.1 per cent in the year, outpacing all the major developed markets and showing positive results in each quarter. Over the year only the Energy and Utilities sectors beat the index return with Information Technology, Health Care and Consumer Staples sectors having negative returns. The Energy Sector accounted for 60 per cent of the Index's performance. Base metals and other commodities also had a strong year as demand from Asia continued and new supplies were slow to develop. Commodity prices, notably oil, gas and copper, hit new records, boosting Canadian exports and lifting the stock market near to an all-time high. The Canadian dollar finished its fourth consecutive year of gains against the US dollar to \$0.86 (US). SPP's Canadian equity portfolio returned 25.2 per cent for the year.

2005 Market Returns		
	Index Return %	SPP Return %
S & P/TSX 300	24.1	25.2
S & P 500 US Eq. (C\$)	2.3	2.6
MSCI EAFE Non NA Eq. (C\$)	10.7	12.0
SC UBI	6.5	6.7

### US Equities

The S&P 500 returned 4.9 per cent in US\$ or 2.3 per cent in C\$ as the Canadian dollar strengthened relative to the US dollar. Energy was also the best performing sector in this index as oil prices hit record highs. Due to inflationary concerns, the Federal Reserve Bank increased interest rates eight times in the year for their thirteenth consecutive increase, although they indicated the tightening may be coming to an end. The continued rise in interest rates and rising gas prices have cut into spending, leaving the Consumer Discretionary sector the second worst performing sector in the index. Consumer confidence ended the year near where it began, after dropping dramatically after the

hurricanes and then rebounding in the last quarter. SPP's US equity portfolio earned 2.6 per cent.

### Non-North American Equities

Non-North American equities, measured by the MSCI EAFE Index, soared 29.0 per cent in local currency terms and 10.7 per cent in Canadian dollars. Riding the global growth in demand for commodities and energy, the Canadian dollar appreciated relative to the currencies of every nation in the EAFE index. Japan was the leading index country, strongly outperforming other Pacific markets. In contrast to the Canadian and US Equity markets, the Information Technology sector posted a positive return in non-North American equity markets in the year. SPP's non-North American equity portfolio earned 12.0 per cent.

### Fixed Income

The Canadian bond market, as measured by the Scotia Capital Universe Bond Index, gained 6.5 per cent in 2005. The Bank of Canada initiated a campaign to tighten the money supply in September. Rate increases of 0.25 per cent in September, October and December brought the overnight rate to 3.25 per cent. In addition, the Bank of Canada stated that further reductions in monetary stimulus would be required. Core inflation numbers through the year were tame, encouraging investors to believe that inflation will continue to be benign. SPP's bond portfolio earned 6.7 per cent.

Total assets in the contribution fund were \$173.7 million at year end. Further information on investments can be obtained from the Plan office. ❖

## Administration Expenses

The chart on the right shows a synopsis of Plan administrative expenses for the past two years. SPP is committed to providing personal service to members, therefore personnel costs are the highest budget category.

While most of the categories are self explanatory, the professional services category is less clear.

Professional services includes the cost of hiring investment managers, custodians, and consultants to advise the Board of Trustees on governance issues and investing member's money.

Administration expenses in 2005 were \$1.93 million, or 0.77 per cent of the Funds' net asset base. These costs are paid from the Plan earnings. SPP's expense ratio is competitive with the market place as many mutual fund fees range from 1 per cent to 2.5 per cent or higher. SPP continues its focus on providing efficient service at a reasonable cost. ❖

SPP Administrative Expenses

	2005	2004
Personnel	\$638,355	\$657,895
Professional Services	627,109	549,811
Advertising	266,804	277,115
General Administration	197,055	186,637
Computer Expenses	163,036	137,225
Board	34,693	33,577
<b>Total</b>	<b>\$1,927,052</b>	<b>\$1,842,260</b>

## SPP Website

Did you know that [www.saskpension.com](http://www.saskpension.com) gives you the opportunity to:

- download a Membership form to sign up a son, daughter or grandchild;
- make a contribution with VISA® or MasterCard®;
- read the latest Annual Report;
- use the feedback page to request information;
- download the 'Contribution', 'Designation of Beneficiary', and 'PAC Application' forms; and
- learn more about the Plan.

We hope you take the time to visit our site. ❖

## Foreign Content Limit

The 30 per cent foreign content limit applicable to RRSP's and registered pension plans (RPP's) was repealed in the 2005 Federal Budget. The purpose of the limit was to ensure that the bulk of tax assisted savings held in RRSP's and RPP's would be invested in Canada. There was a concern, however, that forcing retirement savers to hold mainly Canadian assets was increasing their risk and reducing their returns due to the small size and high concentration of Canadian investment markets. The SPP Board of Trustees will be reviewing the asset mix of the Contribution Fund on an ongoing basis to ensure the right mix for the Plan. ❖

## Beneficiary Changes

It is important to keep your beneficiary information current. If you require a change to your beneficiary information complete the form on the next page and return it to the SPP office. This form may be used to name a single or multiple beneficiaries. If naming more than one beneficiary, please indicate the portion that each beneficiary is to receive. ❖

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.

### To contact SPP:

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TTY	1-888-213-1311
Fax	1-306-463-3500
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