

# Contributions

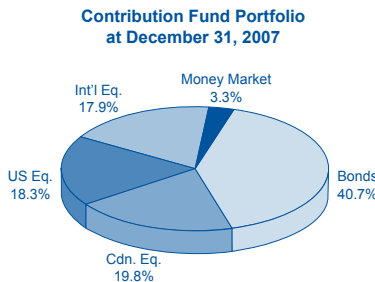
*The Saskatchewan Pension Plan Newsletter*

## 2007 Investment Highlights

2007 was a disappointing year for balanced funds, in contrast to the past five years. The solid returns achieved in the Canadian equity market were offset by the sharp appreciation of the Canadian dollar. Markets also retreated as the fallout from the U.S. sub-prime mortgage market continued to pressure the global economy. For investors, this resulted in negative returns for non-Canadian investment classes.

Long-term Canadian interest rates rose in the first half of 2007 as investors grew increasingly concerned about a strong economy triggering rising inflation. Sentiment changed direction in the second half of the year as investors' focus shifted from economic growth to the expectation of a slowdown following the demise of the U.S. sub-prime lending market. Interest rates fell, ending the year very close to where they began.

After taking into account investment income, changes in the market value of investments, contributions, administrative expenses and transfers out at retirement, net assets decreased from \$190.6 million at the end of 2006 to \$186.4 million at the end of 2007. This represents a return of -0.3 per cent which was allocated to members' accounts at year end. The asset mix at December 31, 2007 is shown on the right.



On page two there is a summary of the Contribution Fund's (CF) performance by asset class in 2007. The rates of return used in outlining investment highlights exclude fees which allows for a valid comparison to benchmarks.

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## Currency Risk

Currency risk refers to the possibility that the value of the domestic currency will increase relative to the foreign currency in which investments are denominated and a loss will be incurred on exchange back into the domestic currency.

For example if you are a Canadian investor and you have stocks in the U.S., the return that you will realize is affected by both the change in the price of the stocks and the change of the U.S. dollar against the Canadian dollar. Suppose that your U.S. stocks had a return of 15%. If the U.S. dollar depreciated 15% against the Canadian dollar, you would realize no gain; your actual return in Canadian dollars would be zero.

When transactions occur in different currencies, the portfolio is exposed to currency risk. ❖

## Retirement Age

At the time of this writing SPP's mandatory retirement age is 69. We anticipate changes in SPP's legislation to raise the age to 71. Please watch future newsletters for updates on this issue or stay in contact by phoning SPP. ❖

### TOP 10 HOLDINGS

Canadian Equities		% of Portfolio	US Equities		% of Portfolio	Non-North American Equities		% of Portfolio
1	Toronto Dominion Bank	7.6	Berkshire Hathaway	4.1	Cash (C\$)		3.4	
2	Manulife Financial Corp	6.6	Merck	3.3	Nestle SA		2.0	
3	Bank of Nova Scotia	5.7	Microsoft	3.0	Royal Bank of Scotland		1.6	
4	Royal Bank of Canada	4.8	Markel	3.0	Novartis AG		1.5	
5	Encana	4.6	Pfizer	2.6	Adidas		1.3	
6	Saputo	4.5	Apache	2.5	Total		1.3	
7	Finning International	3.7	American Int'l Group	2.4	Royal Dutch Shell		1.3	
8	Shoppers Drug Mart	3.4	Johnson & Johnson	2.4	Allied Irish Banks		1.2	
9	CIBC	3.2	Carnival	2.1	Petroleo Brasileiro		1.2	
10	Toromont Inds	2.8	Exxon Mobil	2.0	Honda Motor		1.1	



(Continued from Page 1)

Saskatchewan Pension Plan's (SPP) year-end return was 0.65 per cent (before administration costs) compared to a benchmark of 0.54 per cent.

### Canadian Equities

The S&P/TSX Composite Index returned 9.8 per cent in the year. The market suffered a weak finish to what started out as a good year. Continued fears of a worsening world-wide credit crunch pushed the Canadian market into a loss in the fourth quarter. Seven of the sectors finished the year in positive territory. The strongest performing sector was Information Technology, lead by Research In Motion which accounted for 71 per cent of the sector at December 31. Materials were also strong, as rising gold prices propelled returns. Gold benefited from weakness in the US dollar and general turmoil in the markets. Despite oil nearing \$100 US, the Energy sector ended the year in sixth place. SPP's Canadian equity portfolio returned 12.1 per cent for the year.

### U.S. Equities

The S&P 500 returned 5.5 per cent in US\$ with the return decreasing to -10.5 per cent in C\$, as the Canadian dollar soared 17.9 per cent relative to the U.S. dollar. Markets were plagued by troubles in the subprime mortgage sector, credit market woes and liquidating hedge funds. In Canadian dollar terms, only two of the sectors posted positive returns. Energy and Materials were the positive performing sectors, while Financials and Consumer Discretionary led on the downside. Growth stocks outperformed value stocks for the first time since 1999. SPP's U.S. equity portfolio returned -9.9 per cent for the year.

### Non-North American Equities

Non-North American equities, measured by the MSCI EAFE Index, gained 3.5 per cent in local currency terms, however this was wiped out by the strength of the Canadian dollar, leaving the index at -5.7 per cent in Canadian dollars. Currency effects were significant as all currencies within the MSCI EAFE Index depreciated relative to the Canadian dollar. Financials were the worst performing sector, mainly due to the U.S. sub-prime mortgage market. Materials were the top performing sector mainly due to mining. SPP's Non-North American equity portfolio returned -6.3 per cent for the year.

### Fixed Income

The Canadian bond market, as measured by the DEX Universe Bond Index, gained 3.7 per cent in 2007. After raising interest rates by 25 basis points (bps) in July, competitive pressures of the Canadian dollar prompted the Bank of Canada to lower the overnight rate by 25 bps to 4.25 per cent at year end. The US Federal Reserve lowered rates by 50 bps to end the year at 4.25 per cent in an effort to stimulate the economy. All sectors posted positive returns, with Federal bonds benefiting from a flight to quality. SPP's bond portfolio earned 3.2 per cent. ❖

## Annual Statements

Included with this newsletter is your 2007 Member Annual Statement. This Annual Statement provides you with a summary of contributions and earnings to December 31, 2007. Please review all the information on this statement. If any of this information is incorrect please contact SPP.

### Address Updates

- Log on to [expressaddress.com](http://expressaddress.com).
- Call the toll-free line at 1-800-667-7153.
- Mail your address change to Box 5555 Kindersley SK S0L 1S0.
- E-mail us at [info@saskpension.com](mailto:info@saskpension.com).
- Fax your address change to 306-463-3500.

### Beneficiary Updates

- Complete the Designation of Beneficiary form found on Page 4 of this newsletter; or
- Download the Designation of Beneficiary Form from [saskpension.com](http://saskpension.com). ❖

## Set & Forget

Two pre-authorized contribution options are available for SPP members. You can set up contributions for the 1st or 15th of the month on a semi-monthly, monthly, semi-annual or annual schedule.

**PAC** - The Pre-Authorized Contribution (PAC) is made electronically through your bank account.

**PCC** - The Pre-Authorized Credit Card (PCC) contribution is processed on your credit card.

Contact SPP for a form or to discuss this option. Set your date and never forget your contribution again. ❖

## Administration Expenses

Administration expenses were \$1.8 million in 2007, or 0.94 per cent of the average market value of assets held in the CF. These costs are paid from investment earnings. SPP's expense ratio is competitive with the market place as many mutual fund fees range from 1 to 2.5 per cent. ❖

SPP Administration Expenses		
	2007	2006
Personnel	\$609,492	\$527,299
Professional Services	568,240	521,111
Advertising	326,088	302,645
General Administration	181,972	150,698
Computer Services	73,421	107,543
Board	14,046	25,155
<b>Total</b>	<b>\$1,773,259</b>	<b>\$1,634,451</b>

## Looking for Employee Benefits?

SPP has helped many businesses of varying sizes institute an Employer Pension Plan, and it is the Plan's goal to continue to partner with small businesses throughout 2008.

This quarter, employers in the newspaper, salon, and spa sector are being approached. SPP welcomes businesses from all industries as members of the Plan, and currently has representation from the financial services, agriculture, and medical fields, as well as the trades.

Creating an Employer Pension Plan under the umbrella of SPP is a convenient, affordable, and tax-friendly method for employers to strengthen their company's benefits package.

Contributions — up to \$600 per person — can be made by the employer, the employee, or as a combination of both. Any number of employees can join, and there is no administration fee. Payments may serve as a tax deduction for both the employer and the employee, and funds within the Plan are tax sheltered, providing maximum earnings on retirement savings while deferring taxes.

Reward yourself and your employees with the benefits of the Saskatchewan Pension Plan.

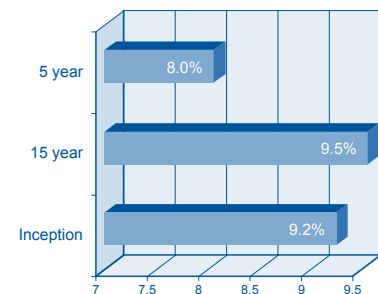
For more information about our Employer Plan, please contact Aaron Anton toll-free at 1-800-667-7153 or by email at [aanton@saskpension.com](mailto:aanton@saskpension.com). ❖

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.

## Investment Return

SPP is a long term retirement savings plan that has yielded a strong return to members over time. SPP's return will rise and fall with investment markets. To protect member investments in the Fund, the Board has carefully developed an investment policy and is confident that it will produce strong long term results for members recognizing that this long term strategy can cause short term losses to members. The chart below illustrates average Plan returns over time.



A summary of the investment policy is available in the Plan's annual report which can be obtained by calling SPP or visiting the website [saskpension.com](http://saskpension.com). ❖

### To contact SPP:

Toll-free 1-800-667-7153  
 Fax 1-306-463-3500  
 TTY 1-888-213-1311  
 Mail Box 5555  
 Kindersley SK S0L 1S0  
 E-mail [info@saskpension.com](mailto:info@saskpension.com)  
 Website [saskpension.com](http://saskpension.com)

