

Contributions

The Saskatchewan Pension Plan Newsletter

Investment Report

2008 was truly an extraordinary year and one that investors would like to put behind them. Amid the volatility and broad based declines across nearly all asset classes, no one anticipated the speed of devastation investors experienced at all levels. All major indexes posted negative returns in the year.

During the year there was a reversal of a number of trends that were dominant for five years. In mid-July, oil prices reached a record \$147 a barrel and the Canadian dollar was roughly on par with the U.S. dollar. By mid December, oil had declined 70 per cent to \$45 a barrel, the S&P/TSX was trading down 44 per cent from its high and the dollar was worth US \$0.82.

The credit crisis that originated in 2007 began to have significant impact in 2008. Many financial institutions around the globe had exposure to U.S. mortgage-backed securities and when these became illiquid, it fuelled a broader downturn in the U.S. financial sector. This downturn, combined with the decline in U.S. property values, had a significant impact on all global equity markets. As the credit crisis spread, central banks around the world lowered interest rates. This move did little to help stimulate the economy as the benefits of lower rates did not translate into increased lending by the banks.

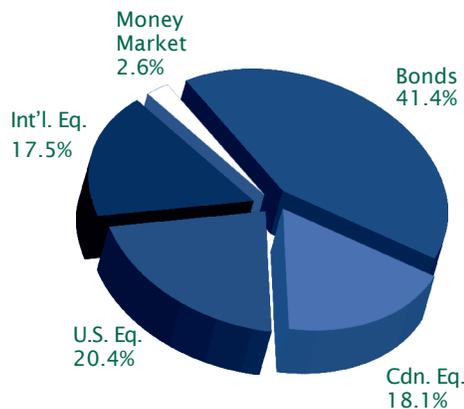
The total market value of Saskatchewan Pension Plan (SPP) Contribution Fund (CF) decreased from \$186.4 million at the end of 2007 to \$155.7 million at the end of 2008. This represents a return of -16.2 per cent after administration costs, which was allocated to members' accounts at year end.

2008 Market returns	
S&P/TSX Composite Index	-33.0%
S&P 500 Index (C\$)	-21.2%
MSCI EAFE Index (C\$)	-29.2%
DEX Universe Bond Index	6.4%

The CF is structured to provide long term capital growth and holds a mixture of equities and fixed income investments. The pie chart below shows the portfolio's actual asset mix at December 31, 2008. Please see page 2 for a summary of investment performance by asset class. ♦

SPP Return History	
2008	-16.2%
5 year average	2.7%
10 year average	4.6%
Since inception (23 years)	8.0%

Contribution Fund Portfolio at December 31, 2008



Staying the Course

Investing for retirement is based on a plan and as a member of SPP, you have chosen to make SPP part of your overall investment strategy. Even though the return in 2008 is disappointing, the Plan's 23 year return history has been strong. The average since inception is eight per cent. History also proves that significant drops in investment market values are typically followed by a rapid increase. Remaining calm in tough market times is not easy. Reviewing your investments and your retirement plan regularly will help you keep the long-term perspective required during these uncertain times. ♦

Investment Performance by Asset Class

The following is a summary of the CF performance by asset class in 2008. The rates of return used exclude administration fees which allows for a valid comparison to benchmarks. SPP's year-end return was -15.4 per cent compared to a benchmark of -13.6 per cent.

Canadian Equities

The S&P/TSX Composite Index posted a return of -33.0 per cent for the year. All ten sectors finished the year with negative returns. Consumer Staples was the top performing sector at -6.1 per cent while Information Technology and Financials were the worst performing sectors. Small cap stocks, as measured by BMO SC Index, significantly underperformed large cap stocks.

U.S. Equities

The S&P 500 returned -37.0 per cent in US\$ with the return increasing to -21.2 per cent in C\$, due to our currency decline. In Canadian dollar terms, only one of the ten sectors (Consumer Staples) posted a positive return. Financials and Materials were the worst performing sectors. Growth stocks outperformed value stocks by a wide margin and both small cap and mid cap stocks outperformed large cap stocks. Markets were plagued by troubles in the subprime mortgage sector, credit market woes and liquidation of hedge funds. Financials led the downside as several banks took write-downs.

Non-North American Equities

Non-North American equities, as measured by the MSCI EAFE Index, returned -40.3 per cent in local currency terms and -29.2 per cent in Canadian dollar terms. Currency effects were significant as two-thirds of the currencies within the Index appreciated versus the Canadian dollar. Financials were the worst performing sector in 2008, which was mainly due to its exposure to the U.S. sub-prime mortgage market. Health Care was the top performing sector at 1.4 per cent. All 21 countries within the Index had double digit negative returns which ranged from -11.5 per cent (Japan) to -64.9 per cent (Ireland). Emerging markets trailed developed markets by a wide margin.

TOP 10 HOLDINGS						
	Canadian Equities	% of Portfolio	US Equities	% of Portfolio	Non-North American Equities	% of Portfolio
1	Encana	7.3	Tim Hortons	3.7	Cash (C\$)	4.5
2	Toronto Dominion Bank	6.4	Pfizer	3.1	Novartis	3.6
3	Manulife Financial Corp	5.9	Johnson & Johnson	2.8	Nestle SA	3.6
4	Bank of Nova Scotia	5.3	Wal Mart Stores	2.6	Total	2.1
5	Nexen	4.9	Berkshire Hathaway	2.5	CLP Holdings	1.9
6	Shoppers Drug Mart	4.9	Markel	2.5	CRH	1.9
7	Saputo	4.8	Microsoft	2.3	Royal Dutch Shell	1.7
8	Royal Bank of Canada	4.2	McDonalds	2.2	Honda Motor	1.6
9	Rogers Communications	3.4	Merck & Co.	2.1	Ono Pharmaceutical	1.5
10	Finning International	3.2	Kroger Company	2.0	Singapore Telecom	1.5

Fixed Income

The Canadian bond market, as measured by the DEX Universe Bond Index, gained 6.4 per cent in 2008 as investors sought the protection of fixed income instruments amidst volatile equity markets. All sectors posted positive returns, with Federal bonds benefiting from a flight to quality. Mid-term and long term bonds both trailed shorter term bonds, while T-Bills returned 2.6 per cent. Federal issues finished ahead of corporate bonds on all maturity ranges as credit spreads widened due to low liquidity in the market. ❖

Annual Statements

Included with this newsletter is your 2008 Member Annual Statement. This Annual Statement provides you with a summary of contributions and earnings to December 31, 2008. 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.
- 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.
- 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. ❖

Income Allocation

Income allocation determines how earnings are distributed to member accounts. SPP's income allocation policy applies 100 per cent of the market rate of return, less operating expenses, to member accounts each year. This policy is consistent with industry standards for applying earnings. The Fund is subject to market forces and as market returns rise and fall, so will SPP returns.

The Board of Trustees manages risk to the investment portfolio in a number of ways including:

- 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. ❖

Administration Expenses

Administration expenses were \$1.7 million in 2008, or 1.0 per cent of the average market value of assets held in the CF. These costs are paid by the fund. ❖

SPP Administration Expenses		
	2008	2007
Personnel	\$640,310	\$639,033
Professional Services	542,358	552,038
Administration	485,813	566,622
Board	37,811	15,566
Total	\$1,706,292	\$1,773,259

E-news

SPP can send your newsletters electronically. To receive your newsletter by email, simply send your request to info@saskpension.com. ❖

saskpension.com

Check out the savings calculator on our website. ❖

Missing members

SPP needs to locate the following people:

Stanley Davies
Gladys E Guevara
Vivian V M Sandilands
Angela Smith

If you know their whereabouts, please ask them to contact SPP. ❖

Making change happen

SPP is administered under the provisions set out in *The Saskatchewan Pension Plan Act* and Regulations. These laws or statutes establish the framework by which the Plan operates. The statutes cover the rules for things like retirement age, retirement options, maximum contribution and how funds are to be handled on the death of a member. When changes to the Act and Regulations are required the Legislative Assembly must pass them and then the Lieutenant Governor must proclaim them into law.

The Board and staff of SPP keep current on developments in the pension industry and welcome suggestions from members on how to enhance the program. If these suggestions require an amendment to the Act or Regulations, the Board would recommend these changes to the legislators. ❖

The SPP Contributions Newsletter is issued two 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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