March 1, 2004

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 dif- ferent 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 diver- sification 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%.

The March 2004 Newsletter is now available in PDF format.