



Investment Choice

May 2019

This document provides Saskatchewan Pension Plan (SPP) members with information regarding the investment options available from the Plan. It should not be interpreted as investment advice. If you would like further information on the Plan or our products please call 1-800-667-7153. For financial advice, contact a qualified financial advisor.

Overview

SPP offers two investment funds – a balanced fund (BF) and a short-term fund (STF). With these funds, members have the option to invest in one fund or a combination of the two funds. This document provides a brief explanation of the risk levels and expected returns.

Members are permitted, but not required, to choose how to direct their contributions in the Plan’s funds. The default fund is the BF – if a member does not give us directions, contributions are deposited to the BF. Since its inception in 1986, SPP has offered the BF for member investments.

The STF allows members, especially those close to retirement, to reduce their equity exposure and preserve their capital.

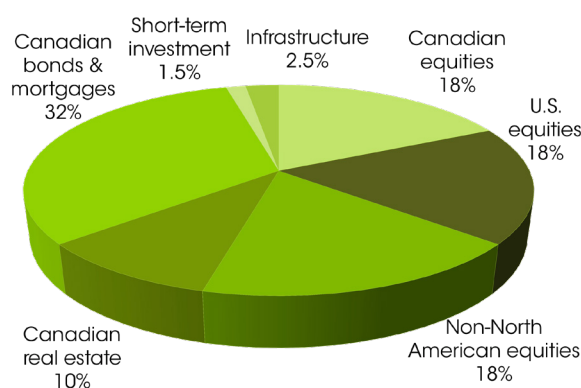
How are the funds different?

Each investment option has a different risk/return profile. The two options differ in both investment strategies and structure. Some of the key variances are explained below.

Balanced fund

The objective of the BF is capital accumulation – growing member accounts to provide income to members at retirement in a prudent, risk-controlled manner. The BF diversifies investments between several asset classes including bonds and mortgages, equities, infrastructure, real estate and short-term investments. It is broadly diversified by asset class, by country and by investment manager. It is the Plan’s original investment fund and is also the default fund for members who do not give us direction.

SPP’s BF Benchmark portfolio



Assets (as a % of market value)	Minimum %	Benchmark %	Maximum %
Equities			
Canadian	10	18	23
U.S.	13	18	23
Non-North American	13	18	23
Foreign	26	36	46
Total equities	40	54	65
Alternatives			
Canadian real estate	0	10	15
Infrastructure	0	2.5	10
Total alternatives	0	12.5	20
Fixed Income			
Canadian bonds & mortgages	15	32	45
Short-term investments	0	1.5	10
Total Fund		100	

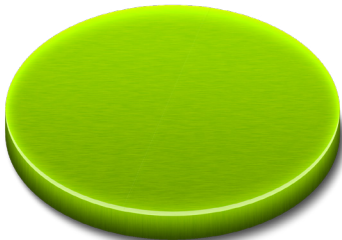
The BF is expected to produce moderate long-term growth and occasional short-term losses. The BF is managed by two external investment managers who are responsible for a variety of investment mandates.

Short term fund

The objective of the STF is capital preservation, allowing members, especially as they near retirement, to reduce their equity exposure. The STF is invested in one asset class: Canadian money market investments. It includes high-quality Canadian money market instruments such as commercial paper, bankers' acceptances and treasury bills. One investment manager manages the STF.

The STF is expected to produce a return similar to prevailing short-term interest rates in Canada.

SPP's STF Benchmark portfolio



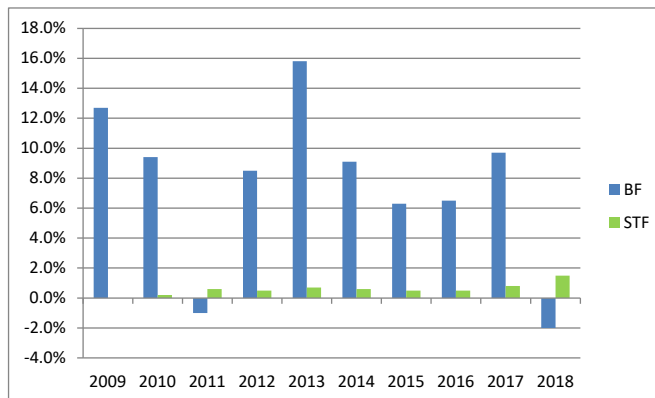
Short term investments
100%

Assets (as a % of market value)	Minimum %	Benchmark %	Maximum %
Short-term investments	100	100	100

Growth potential comparisons

The following chart shows the actual return of SPP's BF and STF over the past 10 years.

Rate of Return



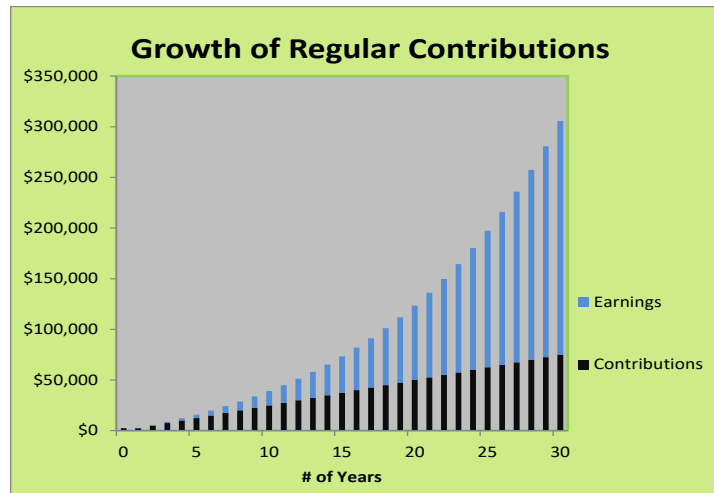
Comparison of SPP BF and STF* return over the past 10 years.

*Note: STF was introduced in 2010.

Investment Growth

See how your investment could grow with time, regular contributions and the power of compound interest. An annual return of eight per cent and annual contributions of \$2,500 were used to calculate the growth for this long-term investment. The 2019 maximum annual contribution is \$6,200 indexed annually.*

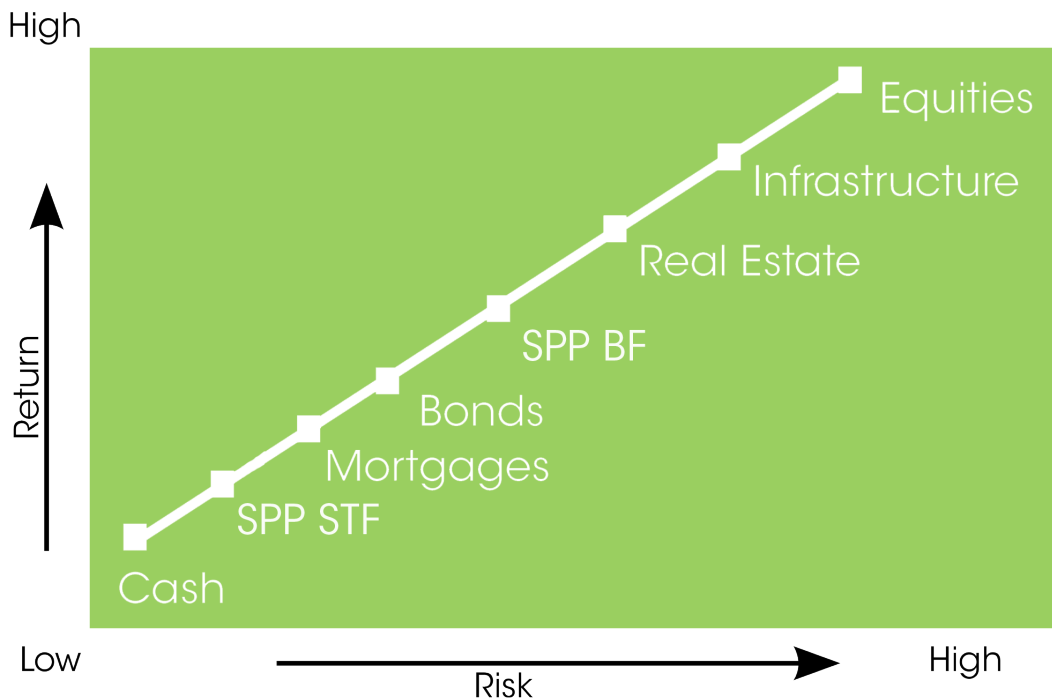
The BF has earned over 8% since inception (33 years). The STF has earned 0.6% since inception (9 years).



*indexed to the Year's Maximum Pensionable Earnings (YMPE). Check www.saskpension.com for the current maximum. Must have available RRSP room to contribute.

Deciding where to invest

Every investment opportunity has some risk associated with it. The chart below illustrates the risk vs. return potential for various types of investments. Part of your investment choice decision is based on where your comfort level is on the risk/return continuum. SPP's BF will have more fluctuation in the returns on a monthly basis; however, over the long term it should provide a higher return than the STF.



The STF will fluctuate less, but the long-term average return will likely be lower than the BF.

Investment choice is not a one-time decision nor is it an all or nothing event. You could opt to have a portion of your account in each fund. You are encouraged to evaluate your investment needs and risk tolerance regularly and adjust your investment as required.

Which Fund Should You Choose?

To answer this question you have to gauge what level of risk you are willing to accept in a given investment. Factors that will influence your decision may include your investment goals and retirement time line. Your investment choice can include one or both funds at a ratio that fits your investment comfort.

Here are some questions to answer when choosing between the Balanced Fund and the Short-Term Fund:

Balanced Fund

- Is my main investment goal to seek higher returns and build up the value of my account significantly?
- Do I prefer a mixed portfolio of stocks, bonds and short-term investments?
- How long do I have until I retire? Is it a moderate to long-time horizon?
- If my pension plan takes an unexpected loss, do I have enough time to recover from it before I retire?
- Am I comfortable with risk in my portfolio?
- Can I tolerate a moderate short-term loss and remain focussed on my long-term goals?

"I am a long-term investor who can comfortably tolerate a moderate level of risk and can accept a short-term loss along the road to long-term gains. My goal is to steadily increase my account balance through consistently investing in a balanced portfolio over a long period of time."

Short-Term Fund

- Is my main investment goal to make sure I preserve the money I already have in my account?
- Am I willing to pursue a smaller return in exchange for less investment risk?
- How long do I have until I retire? Is it a short time horizon?
- If my pension plan takes an unexpected loss, do I have only a short amount of time to recover from it before I retire?
- Do I need more certainty in my portfolio?
- Will a moderate short-term loss seriously jeopardize my future plans?

"I am a short-term investor who can willingly trade the opportunity for higher earnings for a less risky investment. My goal is to guard my money and keep my account intact. I am less concerned about earning a high rate of return."

It is a good practice to re-visit these questions periodically to monitor your investments. Doing this will ensure that you are still matched with the correct fund. If any of your answers to these questions change, consider whether you want to remain in the fund or whether a switch would be more suitable. You may wish to seek the guidance of a financial professional for assistance in making your decisions.

Fund quick facts

	Balanced fund	Short-term fund
Objective	Long-term growth	Preservation of capital
Risk	Higher return/more volatile	Low return/less volatile
Performance benchmark	S&P /TSX Composite index (Cdn. Equities) 18% S&P 500 index (U.S. equities) 18% MSCI EAFE index (NNA equities) 18% IPD Canadian Property Index (Cdn. real estate) 10% CPI plus 5% (Infrastructure) 2.5% FTSE TMX Universe bond index (Bonds & mortgages) 32% FTSE TMX 91-day T-bills (Short-term) 1.5%	FTSE TMX 91-day T-bill Index (Short-term) 100%
Performance objective	Earn a rate of return that exceeds the benchmark return gross of fees	Earn a rate of return that exceeds the benchmark return gross of fees
Investment managers	TD Greystone Asset Management Leith Wheeler Investment Counsel Ltd.	TD Greystone Asset Management
Who should invest	Members who seek long-term growth with moderate volatility through diversification across different asset classes	Members who want to minimize market risk and preserve capital, but not recommended as a long-term investment

Full length fund facts are available for the [BF](#) and the [STF](#) and provide additional, easy to understand information about how the funds are invested.

How to transfer existing funds or direct future contribution.

If you wish to change your investment choices, you will need to complete the Transfer and Investment Instructions form available from SPP's website or by calling the toll-free line.

Your transfer instructions must be received by SPP in writing four (4) business days before the end of the month. Requests received after the monthly deadline will be processed on the next available transfer date. Your first two transfers in the calendar year are free. Subsequent transfers in the year will be subject to a \$50 fee. The minimum transfer amount is \$500.

Conclusion

Both the Balanced fund and the Short-term fund are well-diversified and well-managed. Our goal is to continue to strive for maximizing investor returns while avoiding unnecessary risks. These investment choices demonstrate our commitment.

Contact information

CALL	1-800-667-7153 anywhere in Canada; Collect 1-306-463-5410 from outside of Canada
FAX	1-306-463-3500
WRITE	Box 5555, Kindersley SK S0L 1S0
EMAIL	info@saskpension.com
WEB	saskpension.com