SASKATCHEWAN PENSION PLAN

2015 ANNUAL REPORT

Saskatchewan Pension Plan

Annual Report for the year ending December 31, 2015

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Letters of transmittal

Her Honour
The Honourable Vaughn Solomon Schofield, S.O.M., S.V.M
Lieutenant Governor of Saskatchewan

Your Honour:

I have the honour to submit the Annual Report of the Saskatchewan Pension Plan for the year ended December 31, 2015.

Respectfully submitted,

SIGNED BY

Kevin Doherty
Minister Responsible
Saskatchewan Pension Plan

The Honourable Ken Krawetz
Minister Responsible
Saskatchewan Pension Plan

Sir:

On behalf of the Board of Trustees for the Saskatchewan Pension Plan, I have the honour to present the Annual Report for the Saskatchewan Pension Plan for the year ended December 31, 2015.

Respectfully submitted,

SIGNED BY

Katherine Strutt
General Manager
Saskatchewan Pension Plan

Board of trustees' message

On behalf of the Trustees of the Saskatchewan Pension Plan (SPP) it is my honour to submit this annual report for 2015.

Responsibilities of the Trustees of SPP as outlined in *The Saskatchewan Pension Plan Act* are to administer the Plan and act as trustee of the fund. As we consider these fiduciary responsibilities, our primary duty is to the members of this Plan. These are the people who have entrusted their money to us and will enable us to achieve our vision to become the pension plan people know and trust.

Despite a challenging year in the investment market, SPP grew in assets under management to $445.2 million. This is a testament to the trust our members have placed in us. The Board has set in place a very capable team of administrators and investment managers as we seek to provide value even in times of difficult markets. As a pension plan, our philosophy is long-term investing; it was under that premise that the balanced fund (BF) was created some 29 years ago and has returned an average 8.1 per cent. For investors who desire a haven for funds where the return will be lower but the volatility less, we offer the short-term fund (STF). As Trustees we continue our commitment to a low management expense ratio and I am pleased to report that the BF came in at 96 basis points in 2015 while the STF was 35 basis points. The financial statements found midway through this report, reflect the sound financial position of SPP.

The Statement of Investment Policies and Goals establishes the Board's investment objectives and provides the guide post for us to measure investment performance and ultimately member satisfaction. This document as well as Fund Facts is available at saskpension.com to assist investors with becoming more informed about their choices at SPP.

Our governance model allows trustees to receive in-depth reporting on each area of the plan. When considering our corporate values of transparency and accountability, the Board works diligently to hold both itself and management to a high standard in this regard. In addition, the governance structure affords Trustees sufficient time and access to resources to provide the required strategic direction for SPP. The Trustees of SPP actively engage in learning opportunities about pension and investment issues in order to better serve the needs of plan members and to stategically direct the investment of the fund.

As we prepare for 2016, SPP's 30th year, it is natural to reflect on past successes. However, as Trustees we are not content to merely gaze at that reflection. It is our desire to continue moving the SPP forward with services and products that members are requesting in a prudent and cost effective manner.

Respectfully submitted,

SIGNED BY

Timothy W. Calibaba, ICD.D
Chairperson, Board of Trustees
Saskatchewan Pension Plan

General manager's message

As general manager of a pension fund during times of market turbulence it's easy to get caught up in the day-to-day obsession of market watching and worrying about what the impact will be on our business. SPP is unique in the world of pensions since it is a voluntary plan and there is not the automatic flow of cash from workplace contributions each month. However, SPP is also unique because it is the only plan of its kind and individuals can join regardless of whether or not their employer also gets involved. SPP has the loyalty and trust of 33,000 members who choose to invest in this fund or who are now reaping the benefits of their investment by way of a pension payment for life.

This year the Plan was able to embark on the first phase of a multi-year plan to enhance its website by making it compatible for mobile devices, offering an improved wealth calculator tool and improving the function of our online contribution service. As we continue to invest in this technology, members will begin to see services which they have been requesting.

A common theme when I encounter members is their appreciation for the quality of service provided by the staff from our office in Kindersley. Member service is one of our core values and we hold our staff to a high standard in this regard.

As General Manager, the Board of Trustees delegates day-to-day operations of the plan to me and sets out a series of strategic goals. This report is filled with statistics and information on the progress toward meeting those goals in 2015. By way of highlights, I am pleased to report that our balanced fund return was 6.25 per cent and our short-term fund return was 0.45 per cent. We were able to realize an increase in contributions from the previous year of 5.3 per cent.

We will take time to celebrate 30 years in 2016 amidst the ongoing plans to advance SPP's product and service offerings according to member expectations and economic realities.

Respectfully submitted,

SIGNED BY

Katherine Strutt
General Manager
Saskatchewan Pension Plan

Corporate philosophy

Our mission

The Saskatchewan Pension Plan will grow through the provision of a superior investment opportunity that results in enhanced financial security at retirement.

Our vision

The pension plan that people know and trust.

Our values

Respect

- Listening and working to understand and meet stakeholder needs
- Communication must be direct, open, honest and timely

Integrity

- Behaving in a consistent manner towards each other and our members, respecting commitments and being true to one's word
- Upholding the highest ethical standard

Initiative

- Encouraging creativity, learning and self development
- Planning and executing new approaches and methods

Teamwork

- Accepting diversity and difference
- Co-operating to accomplish common goals

Accountability

- We live up to what we say by following through on commitments, agreements and promises
- Relevant information is available and openly shared

Strategic direction

Saskatchewan Pension Plan (SPP) provides members with a smart and affordable means to save for retirement. SPP is a fully-funded capital accumulation plan created by the provincial government to provide supplementary income to individuals with little or no access to employer-sponsored pensions. The Plan's mission is to grow through the provision of a superior investment opportunity that results in enhanced financial security at retirement.

This program has served as a model for other pension programs in Canada as they seek to develop pension solutions. SPP is a Saskatchewan success story that has yet to be replicated by any country or province.

The Board strategically directs the administation of SPP. As the Plan grows, the expense ratio is affected by economies of scale and members have the potential for more services. Typically a large portion of asset growth comes from increased value of investments; however, investment climates sometimes make this challenging.

SPP is particularly beneficial for businesses that find existing pension options too expensive and too cumbersome to administer. The Plan will continue to focus on small businesses, especially those with fewer than 20 employees, and those who do not have access to private pension arrangements. Employers in Saskatchewan are looking for tools to help them recruit and retain employees. SPP's research indicates that a pension option will help employers achieve the results they desire.

Goal 1: To improve SPP's competitive position

As a tool of public policy, the Board continues its long-term plans to expand contribution maximums, to enhance retirement options for SPP and to offer online services to members.

Goal 2: To increase SPP membership

New member growth was quite successful in 2015 as 1,098 people joined the Plan with an average age of 39.9 years.

Goal 3: To increase SPP assets

Contributions in 2015 totaled $28.3 million, 5.3 per cent ahead of 2014 levels. Transfers from RRSPs were strong during the year and contribution levels remained high. Net assets under administration in the Contribution Fund (CF) were $337.9 million—balanced fund (BF) - $336.0 million and short-term fund (STF) - $1.9 million—and $107.3 million in the Annuity Fund (AF).

Goal 4: To optimize member satisfaction

One of the measures of member satisfaction is good service and competitive rates of return. The Board ensures the Plan is prudently and efficiently managed. This is reflected in an expense ratio of 0.96 per cent in the CF and 0.42 per cent in the AF. The social media initiative is intended to enhance member satisfaction by providing timely information about SPP and about financial planning and education. Member response to these intiatives continues to be encouraging.

Looking ahead

The continued success of the Plan depends on its ability to meet member expectations in both service and products. The Board and management work together to provide members with a solid, long-term investment at a low cost. There are still a great number of people who do not have access to a work-place pension plan. SPP strives to be the pension plan of choice for businesses and their employees.

Plan operations

SPP is a voluntary, capital accumulation plan for people who want an easy way to accumulate funds for retirement. The Plan is available to people between 18 and 71 years of age. Eligibility is not dependent on residency or membership in other plans; participants must have unused RRSP room to contribute. SPP members are full-time employees, part-time employees, self-employed people, homemakers, farmers and students. At December 31, 2015, SPP had 33,517 members (2014: 33,368).

Member statistics

Member status	**%**
Active	70
Retired	30

Sex	**%**
Female	67
Male	33

Occupation	**%**
Homemaker	16
Farmer	8
Self-Employed	11
Full-time	36
Part-time	19
Student	6
Other	5

Age distribution	**%**
18-25	2
26-34	9
35-49	20
50-65	35
Over 65	34

New member profile

- 1,098 people joined SPP in 2015.
- 83 per cent identified themselves as full-time, part-time or self-employed.
- Average age of new members in 2015 was 39.9 years.

SPP has promotional information available for individuals who want more detailed Plan information. This literature can be obtained by:

- visiting the Plan's website at saskpension.com;
- visiting SPP's blog at savewithSPP.com;
- calling the toll-free line at 1-800-667-7153; or
- e-mailing the Plan at: info@saskpension.com.

Features of SPP

The Plan is flexibile so that members can make it fit their life situation and budget. The main features of SPP are:

- Voluntary - no obligation to contribute;
- Flexible - payment at any time during the year;
- Portable - people can join and contribute to the Plan regardless of where they reside;
- Professionally managed investments; and
- Business pension option.

Members and the public use the toll-free inquiry line, email and the website to contact SPP. In 2015 the inquiry centre responded to over 16,000 inquiries. Web traffic increased by 13 per cent in 2015.

Contributing to SPP

The annual maximum contribution to SPP is $2,500, subject to the contributor's available RRSP room. There is no minimum contribution. Contributions are tax deductible by the member or their spouse within RRSP guidelines. During 2015, 12,634 members contributed to SPP with an average contribution of $1,555 (2014: 12,507; $1,508).

Members like the easy payment options available at SPP. They can use the pre-authorized contribution system; mail contributions to the Plan; use their Visa® or Mastercard® by phone, in person or on SPP's website; use the telebanking service available at their financial institutions; or contribute, in person, at financial institutions.

Transfers from other RRSPs and unlocked RPPs are accepted up to a maximum of $10,000 per calendar year. In 2015, 1,110 members transferred $8.7 million (2014: 1,023; $8.0 million) into their SPP accounts.

Contributions are locked in and vested and are used to provide the member with a pension at retirement. Contributions are creditor protected and cannot be seized, claimed or garnisheed in any way except in the event of a court order under a marital division or Enforcement of Maintenance Order.

Plan operations

Assets of members who have not yet retired are held in the Contribution Fund (CF). Contributing members may choose between a balanced fund (BF) and short-term fund (STF) for investment. The BF is actively managed and contains bonds, equities, real estate and money market investments. The purpose of the BF is to provide members with long-term growth. The STF contains only money market instruments and is designed to preserve capital.

The Statement of Investment Policies and Goals is summarized on pages 14-17. More information on the CF performance in 2015 is found in the Investment report section (page 11).

Business plans

SPP is uniquely positioned to help businesses enhance their employee benefit package by offering employers a simple, affordable and easily managed pension plan option for employees. Employers can use SPP to offer the benefit of a pension plan without incurring the costs of administration or future liability for pension payments. Employers simply deduct the contributions from their payroll or contribute on behalf of their employees on whatever schedule they choose.

Retiring from SPP

Plan members can choose to retire from SPP between the ages of 55 and 71. At the time of retirement, members may direct all or part of their account to purchase an annuity from SPP, transfer their account to a locked-in retirement account or prescribed registered retirement income fund with another financial institution, or a combination of the annuity and transfer options. SPP also offers a small pension payout option for members whose monthly benefit is less than the prescribed amount. In 2015, pensions under $22.33 per month qualified for this option.

Retired members

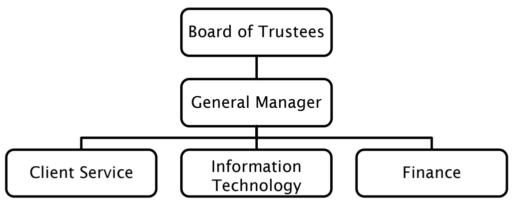
- 635 members retired in 2015.
- Average monthly pension for new retirees was $166.
- Highest monthly pension is $672.
- 10,449 members received a pension from SPP at the end of 2015.
- 246 members started a pension in 2015 at an average age of 68.2 years.
- 302 members transferred into other retirement income vehicles.
- 87 chose the small pension payout option.

Each annuity the Plan offers will pay the recipient lifetime monthly benefits with possible payments to a beneficiary or survivor after the member's death.

Annuity payments are determined by the member's account balance, age at retirement, annuity option and interest and annuity rates in effect. When members retire from SPP and choose an annuity from the Plan, their funds are transferred from the CF to the Annuity Fund (AF). The AF, a non-trading portfolio, invests in high-quality, long-term, fixed-income instruments.

Plan operations

Administration



SPP is administered by a Board of Trustees (Board) who act as trustee of the fund and administer the Plan in accordance with *The Saskatchewan Pension Plan Act* and Regulations and Board policies.

Board members are appointed by Order-in-Council and serve staggered three-year terms. Trustees for the period reviewed in this report were: Timothy Calibaba, Chairperson; Kimberly Enge; Paul Jaspar; Gordon Meadows; and Rodney Trayhorne.

Responsibility for daily administration of the Plan is delegated to the General Manager. In addition, the Board employs a number of consultants and specialists to assist them with managing member funds. These include:

- professional money managers, Greystone Managed Investments Inc. and Leith Wheeler Investment Counsel Ltd., who are responsible for investing member funds according to the Board's investment policies;
- a custodian, RBC Investor Services Trust, who holds all securities and cash in the funds and reports independently to the Board, thereby ensuring all funds are safeguarded; and
- a pension consultant, Aon Hewitt, Inc. who assists the Board in monitoring the performance of the investment managers.

Administrative expenses are paid from Plan earnings. SPP focuses on providing efficient service at a reasonable cost.

***SPP Board of Trustees**: Standing (L to R): Timothy Calibaba and Gordon Meadows. Seated (L to R) Rodney Trayhorne, Kimberly Enge, and Paul Jaspar.*

Privacy

The Plan only collects the personal information necessary to run the program. The general rule of SPP's internal privacy policy stipulates that personal information can only be disclosed to the member or their authorized representative.

The Freedom of Information and Protection of Privacy Act was enacted in 1992 and is the major piece of provincial legislation governing privacy. In addition to complying with this legislation, SPP also complies with the Overarching Personal Information Privacy Framework for Executive Government. Questions about privacy should be directed to the Plan's Privacy Officer.

Investment report

2015 Market returns	
S&P/TSX Composite Index	-8.3%
S&P 500 Index (C$)	21.6%
MSCI EAFE Index (C$)	19.0%
IPD Canada Property Index	5.8%
FTSE TMX Universe Bond Index	3.5%
FTSE TMX 91-day T-Bill	0.6%

Despite volatility during the year, returns in equity markets ended the year on a generally positive note with the notable exception of Canada. Over the year, however, equities have generated lackluster to negative returns, when measured in local currencies. In Canada, low commodity prices have continued to depress the market. This, along with the relative strength in the U.S. economy, created significant weakness in the Canadian dollar. The Canadian dollar depreciated over the course of the year versus the U.S. and other major currencies, which benefited Canadian investors in their foreign equity portfolios. As bond yields ended the year lower in Canada, bond returns on the FTSE TMX Universe Canada were positive for the year.

Through much of the world, policy makers continued providing stimulus, with a notable exception in the U.S. where the Fed raised its policy rate in December. The commodity complex remained weak, with world oil continuing to be in net surplus, keeping a lid on oil prices.

Corporate profits were in a recession in North America during the year. In the U.S., corporate profits which had experienced steady growth since 2010 were impacted by the strong dollar, weak emerging market demand and poor productivity gains. In Canada, corporate profits continued to be impacted by weak commodity prices. Earnings prospects fared better in regions which are supported by quantitative easing programs such as Europe and Japan.

The Bank of Canada maintained the overnight target unchanged at 0.5 per cent in the fourth quarter of 2015, opting not to lower or raise its benchmark interest rate. The U.S. Federal Reserve raised the discount rate in December 2015 for the first time since 2006.

Contribution fund – BF results

SPP balanced fund return history	
2015	6.3%
5 year return	7.6%
10 year return	5.3%
Since inception (30 years)	8.1%

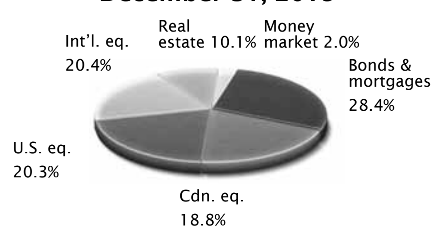
The BF is structured to provide long-term capital growth and holds a mixture of equities, fixed income and Canadian real estate investments. The market value of the BF increased from $305 million at the beginning of 2015 to $336 million at the end of 2015. This represents a return of 6.25 per cent after administration costs are allocated to members' accounts at year end. The historic rates of return are shown in the table above. The fund is managed by Greystone Managed Investments Inc. of Regina and Leith Wheeler Investment Counsel of Vancouver.

The chart below shows the BF asset mix at December 31, 2015 and the other charts show the sector weighting of all asset class portfolios.

The following is a summary of the 2015 BF performance by asset class. The rates of return used exclude administration fees which allows for a valid comparison to benchmarks. SPP's year-end return, before administration expenses, was 7.3 per cent compared to a benchmark of 7.2 per cent.

SPP's balanced fund returned 6.25 per cent after administration costs while the short-term fund return, after administration costs, was 0.45 per cent for the year. The top ten holdings, portfolio composition and returns are summarized in the accompanying tables.

Balanced fund portfolio at December 31, 2015



Investment report

Canadian equities

Top 10 Canadian equity holdings in 2015	% of Portfolio		% of Portfolio
1. Toronto Dominion Bank	7.7	6. Brookfield Asset Mgmt.	3.7
2. Royal Bank of Canada	7.3	7. Canadian Natural Res.	3.1
3. Canadian National Rwy.	5.5	8. Saputo	2.8
4. Manulife Financial	4.8	9. Brookfield Infrastructure	2.8
5. Bank of Nova Scotia	4.6	10. Element Financial	2.7

The S&P/TSX Composite Index returned -8.3 per cent in 2015. Lower stock prices in the final quarter of 2015 led the resource-heavy TSX to post its first negative year since 2011. The best performing sectors were Information Technology, Consumer Staples and Telecoms. The worst performing sectors were Energy, Materials and Health Care.

SPP's Canadian equity portfolio returned -8.7 per cent in the year with Greystone returning -6.9 per cent and Leith Wheeler -11.3 per cent.

	S&P/TSX Weight (%)	Portfolio Weight (%)	Index Return (%)
Information technology	2.6	6.4	15.3
Consumer staples	3.9	6.6	12.2
Telecom services	5.0	1.8	3.5
Financials	35.6	41.1	-1.8
Consumer discretionary	6.8	5.2	-1.6
Utilities	2.2	4.4	-4.2
SPP			**-8.7**
S&P/TSX			**-8.3**
Industrials	8.2	12.5	-11.2
Health care	4.9	2.3	-15.4
Materials	10.4	4.9	-21.4
Energy	20.4	14.7	-23.3
Total	100.0	100.0	

U.S. equities

Top 10 U. S. equity holdings in 2015	% of Portfolio		% of Portfolio
1. Wells Fargo	4.1	6. Johnson & Johnson	2.2
2. Markel	3.8	7. Apache	2.2
3. Microsoft	3.0	8. Berkshire Hathaway	2.1
4. Apple	2.7	9. Pfizer	1.9
5. Proctor & Gamble	2.4	10. MDU Resources	1.8

The S&P 500 Index returned 1.4 per cent in US$ in 2015 with the return increasing to 21.6 per cent in C$ as the Canadian dollar depreciated over the period. The best performing sectors were Consumer Discretionary, Healthcare and Consumer Staples. The worst performing sectors were Energy, Materials and Utilities. Although the S&P 500 is virtually unchanged from where it started the year, underlying volatility has increased. The headwinds of a strong U.S. dollar and weaker energy prices have resulted in virtually no earnings growth in 2015.

SPP's U.S. equity portfolio returned 21.0 per cent in C$. Greystone returned 25.5 per cent and Leith Wheeler returned 17.7 per cent.

	S&P 500 Weight (%)	Portfolio Weight (%)	Index Return (C$) (%)
Consumer discretionary	12.7	12.4	31.4
Health care	14.9	13.4	26.7
Consumer staples	9.7	10.6	25.7
Information technology	20.0	17.1	25.3
Telecom services	2.3	1.2	22.2
S&P 500			**21.6**
SPP			**21.0**
Financials	16.4	20.8	16.5
Industrials	10.2	11.9	15.7
Utilities	3.0	2.9	11.7
Materials	3.1	1.5	8.2
Energy	7.7	6.8	-6.4
Cash		1.4	-
Total	100.0	100.0	

Non-north american equities

Top 10 Non-North American equity holdings in 2015	% of Portfolio		% of Portfolio
1. Novartis	2.8	6. BMW	1.9
2. Lloyds Banking Group	2.4	7. Sugi Holdings	1.9
3. Cash	2.2	8. Euronext	1.9
4. Sumitomo Mitsui Fin.	2.1	9. Roche	1.9
5. Total	2.1	10. Barratt	1.9

The MSCI EAFE Index, which measures the returns of non-North American equities, returned 19.0 per cent (C$). The top performing sectors were Consumer Staples, Healthcare and Information Technology. The worst performing sectors were Energy, Utilities and Financials. Eurozone continued to show tepid growth and the ECB firmly remained in the camp of supporting the bond and equity markets. China continues to manage the rebalancing of its economy.

SPP's non-North American (NNA) equity portfolio returned 16.6 per cent. Greystone's returned 24.5 per cent and Leith Wheeler's sub-advisor, Sprucegrove, returned 9.2 per cent.

	EAFE Weight (%)	Portfolio Weight (%)	Index Return (C$) (%)
Denmark	1.9	-	49.4
Ireland	0.4	3.0	40.0
Belgium	1.4	0.3	35.6
Israel	0.8	-	35.4
Japan	23.4	20.8	31.8
Finland	0.9	0.9	23.8
Austria	0.2	-	23.7
Italy	2.3	0.6	23.6
Netherlands	3.0	4.1	22.8
Portugal	0.1	-	22.4
Switzerland	9.4	8.8	21.6
France	9.7	7.6	21.2
MSCI EAFE			**19.0**
Germany	9.1	5.7	18.3
Hong Kong	3.1	3.4	17.4
SPP			**16.6**
New Zealand	0.2	0.6	16.0
Sweden	2.9	2.1	15.3
United Kingdom	19.3	19.8	10.9
Australia	6.8	2.5	8.5
Norway	0.6	2.7	1.7
Spain	3.2	2.3	1.5
Singapore	1.2	3.1	-1.2
Luxembourg	0.1	-	-1.7
Emerging markets	-	9.6	-
Cash	-	2.1	-
Total	100.0	100.0	

Fixed income

	FTSE TMX UBI Weight (%)	Portfolio Weight (%)	Index Return (%)
Provincial	33.6	40.4	4.1
Federal	36.3	11.4	3.7
FTSE TMX UBI			**3.5**
SPP			**3.4**
Municipal	1.9	1.8	3.2
Corporate	28.2	46.0	2.7
Cash	-	0.4	0.9
Total	100.0	100.0	

The FTSE TMX Universe Bond Index, which measures the Canadian Bond market returns, gained 3.5 per cent in the year. The Index was once again led by Provincial bonds, followed by federal and corporate bonds. Money market continued its pattern of low returns as the Bank of Canada left the Bank Rate unchanged.

SPP's Fixed Income portfolio returned 3.5 per cent. Greystone returned 2.7 per cent and Leith Wheeler returned 3.7 per cent.

Real estate

The Investment Property Databank Index, which measure Canadian Real Estate market returns, rose 5.8 per cent in the year. In 2015, stability of income was the main driver of performance. The softening in the Alberta market, especially in office, resulted in lower capital returns but was offset by the positive impact of properties in the Greater Toronto Area and the Greater Vancouver Area. The multi-unit residential property type was the top contributor to performance in the year. SPP's Real Estate portfolio, managed exclusively by Greystone, returned 6.3 per cent in the year.

Investment report

Investment policy summary

Contribution fund – STF results

The objective of the STF is capital preservation and invests only in Canadian money market instruments such as T-bills and commercial paper. The FTSE TMX 91-day T-Bill Index returned 0.6 per cent. The STF returned 0.8 per cent.

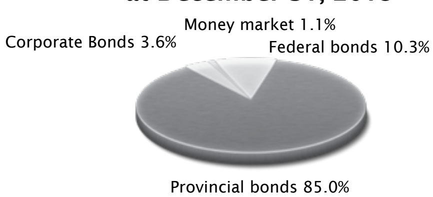
Annuity fund

The Annuity Fund's (AF) purpose is to provide lifetime retirement annuities to members. The fund is structured in such a way to provide adequate cash to meet pension payments in the early years and to immunize the portfolio beyond. Immunization is a strategy that matches the duration of assets and liabilities to minimize the impact of changes in interest rates.

The AF consists of high quality bonds and short term investments, no equities. Total assets of the fund at December 31, 2015 were $107.3 M and there was an actuarial surplus of $8.0 M at that same date.

Bond interest rates remained low throughout the year and therefore annuity rates were also low, ranging between 1.9 per cent and 2.6 per cent for the year. The fund is managed by Greystone Managed Investments Inc. of Regina and the chart below shows it composition as at December 31, 2015.

Annuity fund portfolio at December 31, 2015



The SPP's investment policies communicate the investment philosophy of the Board to the pension plan investment managers. Each fund has its own Statement of Investment Policies and Goals (SIP&G) which describe the objectives and the overall risk philosophy of the fund.

The asset mix policy, or the Fund's allocation to different asset classes, is a key component of the SIP&G. It is through the asset allocation decision that SPP diversifies its investments across asset classes and attempts to balance risk and rewards to avoid excessive volatility in each portfolio. The Board monitors on an ongoing basis the performance of the Funds, the investment managers and reviews the SIP&G for each fund at least once annually. The SIP&Gs are available on the SPP website www.saskpension.com under Investments.

SPP has established two funds to hold the assets of the Plan: the CF and AF. The investments must be eligible investments as outlined in *The Pension Benefits Act* and Regulations, the *Income Tax Act* and Regulations, and all subsequent amendments.

Contribution fund

The CF holds assets of members who have not yet retired. The assets are accumulated under a defined contribution or capital accumulation arrangement. Non-retired members have two options in which to invest their money, the BF and the STF.

The objective of the BF is to accumulate the assets of members and invest these assets in a prudent, risk-controlled manner to provide for long-term growth. The fund balances the need for capital growth of younger members with the desire for capital preservation of older members by targeting a well-diversified portfolio with a slight bias to equities over fixed income investments.

The STF is designed for members whose primary objective is capital preservation. The fund is not

Investment policy summary

recommended as a long-term investment. This fund invests in money market instruments and is suitable for members who have a shorter-term horizon and who are willing to accept a lower return in order to minimize financial risk.

Risk management

The Plan is exposed to a variety of financial risks as a result of its investment activities. In the BF, these risks include market risk (consisting of interest rate risk, foreign exchange risk and equity price risk), credit risk and liquidity risk. The STF fund is subject to interest rate risk, inflation risk and credit risk. The Plan has implemented strategies to mitigate financial risks by establishing investment policies. The policy contains risk limits and risk management provisions that govern investment decisions and are designed to achieve the objectives of the Board.

These risks are closely monitored and managed by:

- diversifying the asset classes, diversifying within each individual asset class and diversifying by manager style;
- establishing quality, quantity and diversification guidelines;
- setting performance goals and objectives and establishing benchmark performance expectations to measure progress towards the attainment of these goals;
- retaining an investment consultant who monitors the investment performance of the fund on a quarterly basis and reports to the Board on investment manager-related issues that may have an impact on fund performance;
- having management conduct monthly reviews of compliance of each investment manager with the quality and quantity guidelines contained in the policy; and
- reviewing quarterly reports from investment managers on compliance with the Investment Policy throughout the reporting period.

Asset mix

The BF has adopted an asset mix that has a slight bias to equity investments as shown in the table below. A balanced fund management structure has

Asset Mix

Asset Class (% of fair value)	Minimum	Benchmark	Maximum
Equities			
Canadian	14	19	24
U.S.	13	18	23
Non-North American	13	18	23
Foreign	26	36	46
Total equities	**40**	**55**	**65**
Real estate	**0**	**10**	**15**
Fixed income			
Bonds & mortgages	15	32	45
Short term	0	3	10
Total Fund		**100**	

been implemented, consisting of two active balanced managers with offsetting management styles. The fund holds a diversified portfolio of publicly traded equities, real estate, fixed income and mortgages which increases the opportunity to add value.

The STF invests in a Canadian pooled fund containing high quality money market instruments issued by governments, corporations, trusts and other commercial entities. All securities in the fund have a term to maturity of 365 days or less.

Performance measurement

The primary investment performance objective of each fund is to earn a rate of return that exceeds the rate of return earned on the benchmark portfolio. A second objective is to exceed the benchmark index in each of the asset classes in which the manager invests. Finally, the BF's long-term investment goal is to achieve a minimum annualized rate of return of three per cent in excess of the Canadian Consumer Price Index assessed over annualized rolling four-year periods. The STF's long-term investment goal is to preserve capital over the short term and to earn a rate of return competitive with other money market funds.

Annuity fund

The AF holds assets of retired members transferred from the CF. Assets in the fund are used to provide annuity payments for the life of a retired member. Overall, the risk tolerance of the fund is low as the fund cannot tolerate loss of principal.

Risk management

The objectives of the AF are:

- to structure the investment portfolio so that the Fund's net assets are immune to changes in the level of interest rates;
- to provide sufficient liquidity to ensure payments to retired members when due; and
- to ensure long-term solvency of the Fund.

Our ability to meet this objective is affected by two factors:

- fluctuations in the value of the investment portfolio, which are caused by changes in financial markets
  (primarily credit, market and liquidity risks); and
- changes in the value of the Plan's accrued benefit obligation, which is driven by both economic and demographic factors.

To achieve our objectives, the Fund invests solely in high-quality fixed income and short-term investments all denominated and payable in Canadian dollars. Interest rate risk is addressed by matching estimated future cash payments with interest and principal payments from the portfolio. As such, the AF is immunized against changes in interest rates that may cause temporary differences between the asset and liability values. The duration of the investment portfolio at cost is matched with the duration of the liabilities at cost on an annual basis. The matching should fall within a band of -.5 to +.5 years of the duration target.

The Board of Trustees retains an independent actuary to value the accrued annuity obligation annually based on economic and demographic assumptions. Each year, the Board and management monitor the validity of assumptions against actual experience and update periodically.

Asset mix

Subject to requirements and restrictions imposed by both *The Pension Benefits Act* and Regulations and the *Income Tax Act* and Regulations, the Fund must include sufficient short-term investments to meet liquidity needs. Government of Canada, Provincial Government and Corporate bond issues, strip bonds, mortgages, mortgage-backed securities and short-term investments are permissible investments. Equities and derivatives are not permitted.

Performance measurement

Investment performance is monitored and evaluated on a regular basis. The portfolio risk is monitored annually by measuring the duration gap between the assets and liabilities. Long-term solvency is also monitored annually by comparing the present value of the asset cash flow stream to the present value of the estimated liability payments.

Actuaries' opinion

Aon Hewitt Inc. was retained by the Saskatchewan Pension Plan (the Plan) to perform an actuarial valuation of the assets and liabilities of the Saskatchewan Pension Plan on a funding basis as at December 31, 2015. The valuation of the Plan's actuarial assets and liabilities were based on:

- Membership and asset data compiled by the Saskatchewan Pension Plan as at December 31, 2015; and
- Assumptions about future events (economic and demographic) which were developed by Aon Hewitt Inc.

While the actuarial assumptions used to estimate liabilities for the Plan are, in our opinion, appropriate, the Plan's future experience will differ from the actuarial assumptions. Emerging experience differing from the assumptions will result in gains or losses that will be revealed in future valuations, and will affect the financial position of the Plan.

We have tested the data for reasonableness and consistency with prior valuations and in our opinion the data is sufficient and reliable for the purposes of the valuation. We are also of the opinion that the methods employed in the valuation and assumptions used are appropriate. Our opinions have been given and our valuation has been performed in accordance with accepted actuarial practice in Canada.

SIGNED BY

Donald L. Ireland, FSA, FCIA
Fellow, Canadian Institute of Actuaries

February 25, 2016

Management's responsibility for financial reporting

The financial statements of the Saskatchewan Pension Plan, and all information in this annual report, have been prepared by Plan management which is responsible for the reliability, integrity and objectivity of the information provided. The statements have been prepared in accordance with Canadian accounting standards for pension plans and necessarily include some estimates based on management's judgment. Other financial information in this annual report is consistent with that provided in the financial statements.

The Plan's accounting system and related system of internal controls are designed to provide reasonable assurance that transactions are properly authorized and recorded, assets are safeguarded and financial records are properly maintained to provide reliable information for use in the preparation of financial statements.

The Board of the Plan is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board reviews and approves the financial statements.

These financial statements have been audited by the Plan's independent external auditor, Deloitte LLP, in accordance with Canadian generally accepted auditing standards, on behalf of the Members of the Legislative Assembly of Saskatchewan.

SIGNED BY	SIGNED BY
Katherine Strutt	Donna Eon, CPA, CGA
General Manager	Manager of Finance

February 25, 2016

Deloitte.

Independent auditor's report

To the Members of the Legislative Assembly of Saskatchewan:

We have audited the accompanying financial statements of the Saskatchewan Pension Plan, which comprise the statement of financial position as at December 31, 2015, and the statement of changes in net assets available for benefits and the statement of changes in the provision for annuity obligation for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Saskatchewan Pension Plan as at December 31, 2015, and the changes in its net assets available for benefits and changes in its annuity obligation for the year then ended in accordance with Canadian accounting standards for pension plans.

Deloitte LLP

Chartered Professional Accountants,
Chartered Accountants
Licensed Professional Accountants

Regina, Saskatchewan
February 25, 2016

Statement of financial position

as at ($ thousands)

	Dec 31, 2015			Dec 31, 2014		
	Contribution Fund	**Annuity Fund**	**Total**	**Contribution Fund**	**Annuity Fund**	**Total**
ASSETS						
Investments (Notes 3 and 4)	$ 335,639	$ 106,580	$ 442,219	$ 304,389	$ 104,065	$ 408,454
Cash	1,225	621	1,846	1,231	159	1,390
Accrued investment income	254	734	988	364	744	1,108
Prepaid (deferred) retirement transfers	1,297	(1,297)	-	1,258	(1,258)	-
Prepaid annuity benefits	-	724	724	-	704	704
Equipment (Note 11)	16	2	18	41	6	47
Total assets	338,431	107,364	445,795	307,283	104,420	411,703
LIABILITIES						
Administrative expenses payable	332	41	373	229	40	269
Death and other benefits payable	202	21	223	275	40	315
Deferred member contributions	23	-	23	27	-	27
Total liabilities	557	62	619	531	80	611
NET ASSETS AVAILABLE FOR BENEFITS	337,874	107,302	445,176	306,752	104,340	411,092
Accrued obligation (Note 5)	337,874	99,343	437,217	306,752	96,672	403,424
SURPLUS	$ -	$ 7,959	$ 7,959	$ -	$ 7,668	$ 7,668

ON BEHALF OF THE TRUSTEES:

SIGNED BY

Timothy W. Calibaba, ICD.D

SIGNED BY

Paul Jaspar, FCPA, FCA

(See Accompanying Notes)

Statement of changes in net assets available for benefits

for the year ended ($ thousands)

	Dec 31, 2015			Dec 31, 2014		
	Contribution Fund	Annuity Fund	Total	Contribution Fund	Annuity Fund	Total
INCREASE IN ASSETS						
Investment income						
Interest and other income	$ 1,068	$ 4,071	$ 5,139	$ 1,513	$ 4,180	$ 5,693
Dividends	2,124	-	2,124	1,908	-	1,908
Pooled funds	21,730	-	21,730	8,767	-	8,767
	24,922	4,071	28,993	12,188	4,180	16,368
Change in fair value of investments	(2,850)	136	(2,714)	15,489	5,694	21,183
Contributions	28,304	-	28,304	26,881	-	26,881
Transfers from Contribution Fund	-	8,170	8,170	-	6,634	6,634
	50,376	12,377	62,753	54,558	16,508	71,066
DECREASE IN ASSETS						
Annuities to pensioners	-	8,473	8,473	-	8,280	8,280
Administrative expenses (Note 8)	3,077	441	3,518	2,727	423	3,150
Transfers to other plans	7,299	-	7,299	5,137	-	5,137
Transfers to Annuity Fund	8,170	-	8,170	6,634	-	6,634
Deaths and other benefits	708	501	1,209	861	560	1,421
	19,254	9,415	28,669	15,359	9,263	24,622
Change in net assets	31,122	2,962	34,084	39,199	7,245	46,444
NET ASSETS AVAILABLE FOR BENEFITS BEGINNING OF YEAR	306,752	104,340	411,092	267,553	97,095	364,648
NET ASSETS AVAILABLE FOR BENEFITS END OF YEAR	$ 337,874	$ 107,302	$ 445,176	$ 306,752	$ 104,340	$ 411,092

(See Accompanying Notes)

Statement of changes in provision for annuity obligation

for the year ended ($ thousands)

	Dec 31, 2015	Dec 31, 2014
PROVISION FOR ANNUITY OBLIGATION, BEGINNING OF YEAR	$ 96,672	$ 89,039
INCREASE IN PROVISION FOR ANNUITY OBLIGATION		
Interest on annuity obligation	1,924	2,600
Liability due to new annuities	8,370	6,517
Mortality experience	247	180
Change in interest rate assumption	728	6,895
	11,269	16,192
DECREASE IN PROVISION FOR ANNUITY OBLIGATION		
Annuities paid with interest	8,598	8,559
	8,598	8,559
Net increase in provision for annuity obligation	2,671	7,633
PROVISION FOR ANNUITY OBLIGATION, END OF YEAR	$ 99,343	$ 96,672

(See Accompanying Notes)

Notes to the financial statements

for the year ended December 31, 2015

1. **Description of Plan**

(a) General

The Saskatchewan Pension Plan ("SPP" or the "Plan") was established by the Government of Saskatchewan to provide an opportunity for individuals with little or no access to private pensions or other retirement savings arrangements to save for their retirement. Details of the Plan are contained in *The Saskatchewan Pension Plan Act* (the "Act") and Regulations.

(b) Funds established

The Plan is comprised of a Contribution Fund (CF) and an Annuity Fund (AF). These funds are managed by professional investment managers whose investment performance is measured against objectives established by the Saskatchewan Pension Plan Board of Trustees (Board) as outlined in the Statement of Investment Policies and Goals.

Contribution Fund (CF)

The CF is a Defined Contribution Fund established to accumulate all contributions and earnings for members who have not yet retired under the Plan. There are two investment options available to CF members, the Balanced Fund (BF) and the Short Term Fund (STF). The asset mix of each fund is established based on the expected volatility of the underlying securities. The BF portfolio includes equities, bonds, real estate and money market investments to maximize earnings while minimizing risk to members. The STF only holds money market investments and is the least volatile. Members of SPP have the option to invest in the BF, the STF or a combination of both.

Annuity Fund (AF)

The AF was established to provide Plan members with the option of purchasing a life annuity at retirement. If a member elects to purchase an annuity from the AF, the individual account balance is transferred from the CF to the AF and a pension contract is established. The AF holds investments in high quality long-term bonds. The AF also holds money market investments for current pension needs and to pay administration costs. Equity investments are not permitted. The investment portfolio is structured to limit the effect on the AF due to changes in the level of interest rates, to provide sufficient liquidity for payments to retirees when due and to ensure long-term solvency.

(c) Contributions

Participation in the CF is voluntary and members can contribute a maximum of $2,500 for each plan year. Members may also transfer $10,000 annually from an RRSP, RRIF or unlocked RPP to SPP. Contributions are vested immediately in the member's name and are locked into the Plan until retirement.

(d) Retirement

Members may retire under the Plan as early as age 55 or delay retirement as late as age 71. A member's accumulated account balance at retirement consists of member's contributions to the Plan together with the investment income and changes to the fair value of the Plan's investments allocable to the member as of that date under the terms of the Plan. Upon retirement, members may purchase an annuity through the AF or they may transfer all or part of their account to a locked-in pension option with another financial institution.

(e) Income tax

The Plan is a specified pension plan under the *Income Tax Act* and is not subject to income tax.

(f) Death benefits

Should a member die prior to retirement, the funds in his or her account will be paid to the named beneficiary or estate in accordance with the member's designation and are subject to the *Income Tax Act* and applicable legislation. If the beneficiary is the member's spouse, the funds may be transferred to the spouse's SPP account or to their own registered retirement savings plan.

Should a member die after retirement, death benefits are payable according to the type of annuity the member selected at retirement.

(g) Withdrawal provisions

Members whose monthly pensions are less than the prescribed amount can withdraw their total pension in one lump sum instead of receiving monthly benefits. In 2015, the prescribed amount was $22.33 (2014: $21.88).

2. Significant Accounting Policies

(a) Basis of presentation

The financial statements for the year ended December 31, 2015 have been prepared in accordance with Canadian accounting standards for pension plans as outlined in the CPA Handbook, Section 4600, Pension Plans. For matters not addressed in Section 4600, IFRS (International Financial Reporting Standards) have been followed. These financial statements are presented in the Plan's functional currency, Canadian Dollars. The financial statements were authorized and issued by the Board on February 25, 2016.

(b) Investment transaction and income recognition

Investment transactions are recorded as of the trade date (the date upon which the substantial risks and rewards are transferred). The Plan follows the accrual method for the recording of income and expenses. All transaction costs in respect of purchases and sales of investments are recorded as part of administrative expenses in the statement of changes in net assets available for benefits. Dividend income is recognized based on the date of record. Realized gains and losses and unrealized appreciation or depreciation of investments are reflected in the change in fair value of investments.

(c) Valuation of investments

Investments are stated at fair value in the Statement of financial position. The change in the fair value of investments from the beginning to end of each year is reflected in the Statement of changes in net assets available for benefits.

The fair value of investments is determined as follows:

(i) Money market investments, comprising of treasury bills and bankers acceptances, are valued at cost, which together with accrued investment income approximates fair value.

(ii) Bonds are valued at year-end quoted market prices in an active market when available. When quoted market prices are not available, the fair value is based on a valuation technique, being the present value of the principal and interest receivable discounted at appropriate market interest rates.

(iii) Equities are valued at year-end quoted prices from accredited stock exchanges on which the security is principally traded.

(iv) Pooled fund investments are valued at the unit price supplied by the pooled fund administrator, which represents the underlying net assets of the pooled fund at fair values determined using closing prices.

(v) Real Estate and mortgage pooled funds are valued using market values from independent appraisals.

(d) Foreign currency translation

Assets and liabilities denominated in foreign currency are translated into Canadian dollars at the exchange rate in effect at year-end. Investments, revenues and expenses are translated at the exchange rate in effect at the transaction date. Gains and losses arising on translation are included in the change in fair value of investments.

(e) Fair value

Administrative expenses payable and death and other benefits payable are all short term in nature and, as such, their carrying value approximates fair value.

(f) Equipment

Equipment is recorded at cost and amortized using the straight-line method at rates intended to amortize them over their estimated useful life (see Note 11). The estimated useful life of computer equipment is three years.

(g) Use of estimates and judgements

The preparation of financial statements in accordance with Canadian accounting standards for pension plans requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses, and related disclosures. Actual results could differ from these estimates. Significant estimates included in the financial statements relate to the valuation of investments (see Note 3 and Note 4) and the provision for annuity obligations (see Note 5).

(h) Future accounting changes

IFRS 9, Financial Instruments will be mandatory for the Plan's financial statements, for the year beginning January 1, 2018. The extent of the impact on adoption of this standard is not known at this time, but is not expected to be material.

IFRS 16, Leases will be mandatory for the Plan's financial statements, for the year beginning January 1, 2019. The extent of the impact on adoption of this standard is not known at this time, but is not expected to be material.

3. Contribution Fund Investments

(a) Investments

The CF invests directly or through pooled funds in accordance with the Board's policy of asset diversification. The CF investments consist of the following:

($ thousands)	2015	2014
Bonds and bond pooled fund		
Federal	$ 4,402	$ 5,740
Provincial	6,195	8,337
Municipal	98	-
Corporate	9,734	13,557
Leith Wheeler Core Active Bond fund	66,595	59,586
	87,024	87,220
Equities and equity pooled funds		
Canadian equities	58,326	56,238
Leith Wheeler Special Canadian Equity fund	4,426	4,163
United States equities	34,256	31,535
Leith Wheeler US Equity pooled fund	33,619	30,751
Leith Wheeler International Equity fund	32,975	29,788
Greystone International Equity fund	35,258	28,853
	198,860	181,328
Other		
Money market	6,427	8,011
Greystone Money Market fund	1,917	1,519
Greystone Real Estate pooled fund	33,629	21,042
Greystone Mortgage pooled fund	7,782	5,269
	49,755	35,841
Total CF Investments	$ 335,639	$ 304,389

Bonds and bond pooled funds

The portfolio contains bonds that the CF holds directly or in pooled funds, including private placement bonds and bonds issued by foreign entities, all denominated and paid in Canadian dollars. Bonds are subject to a minimum quality standard of "BBB" or equivalent, as rated by a recognized credit rating service at the time of purchase. No more than 20% of the market value of the bond portfolio may be held in "BBB" issues. An investment in a pooled fund cannot exceed 10% of the market value of that fund. The Leith Wheeler Core Active Bond Fund has bond future exchange contracts in place to manage interest rate risk.

Equities and equity pooled funds

Equity holdings are made directly or through pooled funds. No one holding of an individual stock may represent more than 10% of the market value of the equity portfolio or more than 10% of the voting stock of the issuer. Pooled funds have no fixed distribution rates and returns are based on the investment performance attained by the fund manager. The Greystone International Equity Fund uses derivatives for hedging currency and to replicate indexes.

Money market

Money market investments are defined as securities purchased with a maturity of one year or less. Only securities with an "R-1" rating, as rated by a recognized bond rating agency at the time of purchase, are permissible.

Real Estate pooled fund

The Greystone Real Estate pooled fund consists of Canadian real estate and is diversified by property type and geographic location.

Mortgage pooled fund

The assets of the Greystone Mortgage pooled fund include first and subsequent priority mortgages in Canadian real estate.

(b) Fair value measurements

The Plan has classified its investments using the hierarchy that reflects the significance of the inputs used in determining their measurements.

Under the classification structure, financial instruments recorded at unadjusted quoted prices in active markets for identical assets or liabilities are classified as Level 1. Instruments valued using inputs other than quoted prices that are observable for the asset or liability either directly or indirectly are classified as Level 2. Instruments valued using inputs that are not based on observable market data are classified as Level 3. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The following table illustrates the classification of the CF's financial instruments within the fair value hierarchy as of December 31.

($ thousands)	2015			
	Level 1	Level 2	Level 3	Total
Money Market	$ -	$ 8,344	$ -	$ 8,344
Bonds & bond pooled fund	-	87,024	-	87,024
Equities & equity pooled fund	92,582	106,278	-	198,860
Mortgage pooled fund	-	-	7,782	7,782
Real Estate pooled fund	-	-	33,629	33,629
	$ 92,582	$ 201,646	$ 41,411	$ 335,639

($ thousands)	2014			
	Level 1	Level 2	Level 3	Total
Money Market	$ -	$ 9,530	$ -	$ 9,530
Bonds & bond pooled fund	-	87,220	-	87,220
Equities & equity pooled fund	87,773	93,555	-	181,328
Mortgage pooled fund	-	-	5,269	5,269
Real Estate pooled fund	-	-	21,042	21,042
	$ 87,773	$ 190,305	$ 26,311	$ 304,389

The following is a reconciliation of the level 3 fair value measurements from December 31, 2014 to December 31, 2015.

($ thousands)

	Mortgage pooled fund	Real Estate pooled fund	Total
Balance at December 31, 2014	$ 5,269	$ 21,042	$ 26,311
Purchases	2,501	10,647	13,148
Gains (losses)			
Unrealized	12	1,940	1,952
Balance at December 31, 2015	$ 7,782	$ 33,629	$ 41,411

(c) Financial risk management

The nature of the Plan's operations results in a statement of financial position that consists primarily of financial instruments. The risks that arise are credit risk, market risk (consisting of interest rate risk, foreign currency risk and equity price risk) and liquidity risk.

These risks are managed by having an investment policy which is subject to review and approval by the Board annually. The investment policies provide guidelines to the Plan's investment managers for the asset mix of the portfolio regarding quality and quantity of permitted investments in order to achieve sufficient asset growth on a risk controlled basis. The minimum, maximum and target weighting for each class is clearly established in the policy. The Board reviews regular compliance reports from its investment managers and custodian as to their compliance with the investment policies.

(i) Credit risk

Credit risk is the risk of loss arising from the failure of a counter party to fully honour its financial obligation with the Plan, including its inability or unwillingness to pay borrowed principal and interest when they come due. Credit risk can also lead to losses when issuers and debtors are downgraded by credit rating agencies, usually leading to a fall in the market value of the debtor's obligation. The Plan has put in place investment policies and procedures with established investment criteria designed to manage credit risk by setting limits to credit exposure through quality, quantity and diversification guidelines set out in the Investment Policy and by monitoring compliance to those guidelines. The credit quality of financial assets is generally assessed by reference to external credit rating.

The Plan's most significant credit risk exposure arises from its investments in interest bearing investments. At December 31 the maximum credit risk from interest bearing investments to which the CF is exposed is summarized as follows:

($ thousands)	2015	2014
Cash	$ 1,225	$ 1,231
Accrued interest income	106	179
Money market	8,344	9,530
Bonds and bond pooled fund	87,024	87,220
Mortgage pooled fund	7,782	5,269
	$ 104,481	$ 103,429

At year end 9.12% of the bonds of the CF were rated as BBB (2014: 11.5%) and all other bonds were rated higher. Other than the Government of Canada, no single issuer represents more than 12.0% (2014: 11.1%) of the overall bond portfolio. Fixed rate bonds have effective interest rates ranging between 0.6% and 4.7% (2014: 1.1% and 4.5%) and coupon rates ranging between 1.0% and 8.3% (2014: 1.3% and 8.3%).

(ii) Market risk

Market risk is the risk that fair value of an investment will fluctuate as a result of changes in market prices. Market risk is comprised of three types of risk which include foreign currency risk, interest rate risk and equity price risk. Significant volatility in interest rates, equity values and the value of the Canadian dollar against the currencies in which the Plan's investments are held can impact the value of the Plan's investments.

Foreign currency risk

The Plan is exposed to currency risk through the holdings of foreign equities and foreign equity pooled funds where investment values may fluctuate due to changes in foreign exchange rates. The Plan manages foreign currency risk by limiting investment in foreign funds through the asset mix guidelines set out in the Plan's Investment Policy and by investing in securities that are strategically distributed over several geographic areas to limit exposure to any one foreign currency.

At December 31, 2015, the Plan's foreign currency exposure in U.S. equities was $34.3 million (2014: $31.5 million). If the Canadian dollar had strengthened or weakened by 10% in relation to the U.S. dollar exchange rate, with all other variables held constant, the net assets would have decreased or increased respectively, by approximately $3.4 million (2014: $3.2 million). In practice, the actual trading results may differ from this approximate sensitivity analysis.

Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of a change in market interest rates. The Plan manages interest rate risk by establishing a target asset mix of interest-sensitive investments and investments subject to other risks. Investments are actively managed to mitigate or take advantage of changes in interest rates.

The CF holds approximately 30.8% (2014: 33.5%) of its investments in fixed income securities. As of December 31, 2015, a 1.0% increase in nominal interest rates (all else being equal) would result in a decline in the fair market value of bonds of 6.3% (2014: 6.0%).

The terms to maturity are summarized in the table below:

($ thousands)	2015				
	Within 1 year	1 to 5 years	6 to 10 years	Over 10 years	Total
Federal	$ 1,167	$ 2,438	$ -	$ 797	$ 4,402
Provincial	-	127	1,068	5,000	6,195
Municipal	-	-	98	-	98
Corporate	1,003	4,816	1,801	2,114	9,734
	$ 2,170	$ 7,381	$ 2,967	$ 7,911	$ 20,429

($ thousands)	2014				
	Within 1 year	1 to 5 years	6 to 10 years	Over 10 years	Total
Federal	$ 0	$ 3,613	$ 364	$ 1,763	$ 5,740
Provincial	-	128	2,982	5,227	8,337
Corporate	1,611	6,999	2,845	2,102	13,557
	$ 1,611	$ 10,740	$ 6,191	$ 9,092	$ 27,634

Equity Price risk

The Plan is exposed to changes in equity prices in global markets. The Board's policy is to invest in a diversified portfolio of investments. No one investee or related group of investees represents greater than 10% of the total book value of the assets of the Plan.

Equities comprise 59% (2014: 60%) of the Plan's total investments. At December 31, 2015, if the market prices, as measured by the benchmark indices, increased or decreased by 10%, with all other variables held constant, the Plan's net assets would have increased or decreased by approximately:

($ thousands)	2015	2014
S&P/TSX Capped Composite Index	$ 6,275	$ 6,040
S&P 500 Index (CAD)	$ 6,788	$ 6,229
MSCI EAFE Index (CAD)	$ 6,823	$ 5,864

(iii) Liquidity risk

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity requirements are managed through income generated from investments, monthly contributions made by members and by investing in publicly traded liquid assets that are easily sold and converted to cash. These sources are used to pay benefits, fund operating expenses and make transfers at retirement.

d) Investment performance

The following is a summary of the CF investment performance before administration expenses:

	Annual Return		Rolling Four Year Return	
	2015	2014	2015	2014
Portfolio return	7.3%	10.1%	10.9%	9.0%
Benchmark return	7.2%	10.6%	10.1%	8.6%

The portfolio return is a time-weighted rate of return calculation. The benchmark return aggregates the actual market index returns according to the weightings specified in the Investment Policy. The indices used to measure performance are Canadian equities: S&P/TSX Capped Composite Index; U.S. equities: S&P 500 Index (Cdn $); Non-North American equities: MSCI EAFE Index (Cdn $); Bonds: FTSE TMX Canadian Universe Bond Index, FTSE TMX Short-term bond index and FTSE TMX 91-day T-Bill Index.

4. Annuity Fund investments

(a) Investments

The AF investments consist of the following:

($ thousands)	2015	2014
Bonds		
Federal	$ 11,000	$ 11,187
Provincial	90,614	91,364
Corporate	3,778	428
	105,392	102,979
Other		
Money market	1,188	1,086
Total AF Investments	$ 106,580	$ 104,065

Bonds

The portfolio contains bonds that the Plan holds directly, all denominated and paid in Canadian dollars. Bonds are subject to a minimum quality standard of "BBB" or equivalent as rated by a recognized credit rating service at the time of purchase and no more than 15% of the market value of the total bond portfolio may be held in "BBB" issues. Corporate bonds must meet a minimum quality standard of "A" at the time of purchase and no more than 10% of the market value of the bond portfolio may be held in corporate bonds.

Money market

Money market investments are defined as securities purchased with a maturity of one year or less. Only securities with an "R-1" rating, as rated by a recognized bond rating agency at the time of purchase, are permissible.

(b) Fair value measurements

The Plan has classified its fair valued financial instrument holdings using the hierarchy that reflects the significance of the inputs used in determining their measurements.

Under the classification structure, financial instruments recorded at unadjusted quoted prices in active markets for identical assets or liabilities are classified as Level 1. Instruments valued using inputs other than quoted prices that are observable for the asset or liability either directly or indirectly are classified as Level 2. Instruments valued using inputs that are not based on observable market data are classified as Level 3. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

In 2015 and 2014 all of the AF investments were classified as Level 2.

(c) Financial risk management

The investment objectives of the AF are to maximize retirement wealth, ensure sufficient assets to meet future pension obligations and to generate enough cash flow to meet pension obligations. The AF is exposed to a variety of financial risks as a result of its investment activities and has formal policies and procedures that govern the management of credit, market and liquidity risk.

These risks are managed by having an investment policy, which is reviewed and approved annually by the Board. The investment policy provides guidelines to the AF's investment manager for the asset mix of the portfolio regarding quality and quantity of permitted investments. Funds transferred from the CF to the AF are used to purchase long-term bonds. The combined duration of the bonds purchased is matched to the duration of the annuities purchased from the AF. Under the policy of the Plan such bonds are generally held to maturity.

(i) Credit risk

Credit risk arises from the potential for issuers of securities to default on their contractual obligation to the AF. The Plan limits credit risk through quality, quantity and diversification guidelines set out in the Investment Policy and by monitoring compliance to those guidelines. At December 31, 2015 the Fund's maximum credit risk exposure relates to cash, bonds, accrued interest income and money market investments totaling $107,934,746 (2014: $104,968,086). At year end the AF held no bonds with a BBB rating. Other than the Government of Canada, no single issuer represents more than 24.4% (2014: 24.4%) of the overall bond portfolio. Fixed rate bonds have effective interest rates ranging between 0.5% and 3.5% (2014: 1.0% and 3.5%).

(ii) Market risk

Market risk is the risk that the fair value of an investment will fluctuate as a result of changes in market prices. Market risk is comprised of three types of risk which include foreign exchange risk, interest rate risk and equity price risk. The investment policy addresses risk through an investment approach that allows investments solely in high quality fixed income instruments denominated in Canadian dollars. This mitigates the foreign exchange risk and equity price risk.

Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Fund's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Fund's assets and liabilities. Interest rate risk is managed by investing in fixed income investments that provide cash flows that match payments to annuitants.

The terms to maturity are summarized in the table below:

($ thousands)	2015				
	Within 1 year	1 to 5 years	6 to 10 years	Over 10 years	Total
Federal	$ 220	$ 1,663	$ 3,363	$ 5,754	$ 11,000
Provincial	3,183	21,591	26,357	39,483	90,614
Corporate	3,165	613	-	-	3,778
	$ 6,568	$ 23,867	$ 29,720	$ 45,237	$ 105,392

($ thousands)	2014				
	Within 1 year	1 to 5 years	6 to 10 years	Over 10 years	Total
Federal	$ 233	$ 1,897	$ 3,289	$ 5,768	$ 11,187
Provincial	4,119	19,748	26,741	40,756	91,364
Corporate	-	428	-	-	428
	$ 4,352	$ 22,073	$ 30,030	$ 46,524	$ 102,979

(iii) Liquidity risk

The AF is exposed to liquidity risk through its responsibility to pay annuities on a timely basis.

The AF manages liquidity risk by maintaining adequate cash and cash equivalent balances. It ensures there is sufficient cash to meet its obligations by continuously monitoring and reviewing actual and forecasted cash flows, and by matching the maturity profile of investment assets to operating needs.

5. Provision for annuity obligations

The provision for annuity obligations is the actuarial present value of the future expected annuity benefit obligation to pensioners as determined by Aon Hewitt Inc., an independent actuary. The actuarial valuation is a complex process requiring professional judgment on the part of the actuary and must ensure consistency with the asset valuation methodology. Measurement of this amount involves uncertainty, as estimates must be made of future interest rates and mortality rates.

The valuation method used to calculate the basic pension liability of retired members was the single premium actuarial cost method. An interest rate of 1.90% (2014: 1.99%) was used to determine the liabilities as of December 31, 2015. The UP94 Mortality table rates projected to 2040 were used for actuarial valuation as it closely reflects actual experience of the Plan. The duration of annuity payments is 7.4 years.

Pension annuities are issued based on the prevailing interest rates at the dates of retirement of the annuitants. The duration of the investments purchased are matched with the duration of the liabilities. As such, the risk to the Plan relates to:

(i) any differences, which may be material, between the estimated and actual life expectancy of the annuitant group which may cause the Plan to have insufficient funds to meet the liability or more funds than required; and

(ii) reinvestment of assets at maturity at rates greater than or less than rates used in determining the annuities.

To manage this risk, the Plan uses investment managers and actuaries to assist in determining the investment strategy.

Further, subsection 7(3.2) of the Act requires any amount by which the liabilities of the AF exceeds the assets of the AF to be a charge on and payable from the General Revenue Fund of the Province of Saskatchewan. At December 31, 2015 the AF was in a surplus position.

Actual results may vary from the assumptions used. If the interest rate used increases by 1.0%, the provision for annuity benefits decreases by $7,591,000 or if the interest rate decreases by 1.0%, the provision for annuity obligation increases by $8,775,000. If the average mortality age increases by 1 year, the provision for annuity benefits increases by $7,434,000.

The expected cash inflows from investment income and maturity payments and the expected outflows to pay annuity benefits are based on actual dollar forecasts without any provision for inflation. The total estimated net cash inflows for the next five years are $7.9 million and for the next ten years $12.4 million.

The next actuarial valuation is required as of December 31, 2016.

6. Earnings allocation to members

Investment income plus the change in the market value of investments less administration expenses are allocated monthly to members in the CF.

7. Related party transactions

The Plan conducts a portion of its transactions with Saskatchewan Crown-controlled agencies, ministries and corporations. These transactions are at the agreed upon exchange rates and are settled on normal trade terms. During the year, the Plan incurred operating expenses of approximately $274,743 (2014: $254,577) and at year end had $5,317 (2014: $7,551) in accounts payable with these related parties.

At December 31, 2015, the Plan has $3,538,865 (2014: $3,692,310) invested in Province of Saskatchewan bonds with varying maturity dates and interest rates. Interest income during the year was approximately $166,575 (2014: $196,345) and change in the market value of these bonds was approximately -$153,446 (2014: $104,534).

8. Administrative expenses

Administrative expenses are allocated to the Funds as prescribed by Board policy.

($ thousands)	2015	2014
Other administration expenses	$ 1,394	$ 1,243
Investment management fees	1,053	873
Salaries and benefits	962	932
Custodial fees	51	53
Audit fees	43	41
Actuarial fee	15	8
Total Administrative Expenses	$ 3,518	$ 3,150
Allocated as Follows:		
Contribution fund	$ 3,077	$ 2,727
Annuity fund	441	423
	$ 3,518	$ 3,150

9. Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Plan. The compensation to directors and other members of key management personnel are included in the administrative expenses of the Plan and are summarized below.

($ thousands)	2015	2014
Short-term employee benefits	$ 169	$ 167
Post-employment retirement benefits	8	8
	$ 177	$ 175

10. Lease commitment

The Plan is committed to an operating lease for office space to January 31, 2018 with minimum monthly lease payments of $11,503 due to a related party.

11. Equipment

Equipment at cost less accumulated amortization:

($ thousands)	Cost	Accumulated amortization	2015 Net book value	2014 Net book value
Computer equipment	$ 84	$ 66	$ 18	$ 47

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