Saskatchewan Pension Plan

Annual Report
for the year ending
December 31, 2009

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Letters of Transmittal

His Honour
The Honourable Dr. Gordon L. Barnhart
Lieutenant Governor,
Province of Saskatchewan

Your Honour:

I have the honour to submit the Annual Report of the Saskatchewan Pension Plan for the year ended December 31, 2009.

Respectfully submitted,

SIGNED

Rod Gantefoer
Minister Responsible
Saskatchewan Pension Plan

The Honourable Rod Gantefoer
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, 2009.

Respectfully submitted,

SIGNED

Robert J. Devrome
Chairperson
Saskatchewan Pension Plan Board of Trustees

Chairperson's Message

Pensions received unprecedented coverage in the media during 2009. Initially the stories related to declining fund values and the potential impact on the financial health of pension plans and their members. Amidst these concerns, various levels of provincial and federal governments were responding to studies on the state of pension plans in Canada including the gaps in pension coverage for many Canadians. Saskatchewan is in the unique position of already having a pension plan that is available to all people. The Saskatchewan Pension Plan has grown to be the 26th largest defined contribution plan in Canada.

During the year under review, the SPP Board of Trustees fulfilled its fiduciary responsibility to members and the Plan by monitoring the present situation and planning for the future with the best interests of members as the priority. Part of the Board's fiduciary obligation to members is to safeguard assets in the Plan. Institutional investors like SPP need to make carefully deliberated decisions about asset allocation—the proportion of the portfolio that can be invested in the different asset classes. The Statement of Investment Policy and Goals is the tool developed by the Board and used by the investment managers to guide the strategic and tactical investment decisions for the Fund. The policy takes a long-term view of investing and the Board is confident that it will produce good results for members over time. The policy is reviewed and revised where necessary each year.

Strong investment returns and loyal member support contributed to the growth of SPP in 2009. SPP's overarching purpose is to be a superior investment opportunity that results in enhanced financial security at retirement. Our corporate goals help us fulfill this purpose. The primary focus of the Board's efforts is to increase the maximum contribution allowed to SPP.

I would like to thank Gloria Blanchard, Carol Kraft, Meaghan McCreary and Owen Sebastian, whose terms on the Board ended in 2009, for their expertise and commitment to the organization during their years of service.

In the year ahead, the Board is looking forward to continuing its efforts with respect to increasing the maximum contribution to the Plan.

Respectfully submitted,

SIGNED

Robert J. Devrome
Chairperson
Saskatchewan Pension Plan Board of Trustees

General Manager's Message

Investment markets rallied in 2009 and the gloomy headlines of 2008 were replaced with optimism as world economies showed signs of growth. Beginning in the second quarter of 2009 investment markets around the world began to gain in value, allowing investors to earn back some of the losses experienced the previous year. Economic stimulus packages in the U.S. and Canada had the desired effect and by mid summer, most experts agreed that the recession was over. Markets rebounded nicely in 2009 resulting in a 12.7% return to SPP members.

During the year, many Plan participants expressed concern and fear about the effect of the economic downturn on their SPP account. This was a difficult period for both members and for Plan staff. SPP assets continue to be invested carefully and judiciously but it is always difficult to see the value of any investment decline. However, SPP is an investment for the long term and has, on average, yielded strong results. These results come from a prudent investment policy, a well-diversified portfolio and a professionally managed fund. Over its 24-year history, SPP has evolved into a company trusted by more than 30,000 people to provide retirement savings. SPP recognizes the confidence and trust members have demonstrated by investing in the Plan.

SPP achieved growth in strategic areas in 2009. New Plan members totaled 589 in the year and over 350 members retired from the Plan. SPP continues to be successful in marketing itself to both new and existing members and continues to focus on attracting younger members and employees of small businesses. SPP has been identified as a model for other jurisdictions as pension adequacy issues are examined at both provincial and national levels.

The Board and staff of SPP are committed to providing excellent service to its members at a reasonable cost. Administration expenses are paid from investment earnings and the expense ratio has consistently been less than one per cent.

I would like to thank the Board of Trustees and Plan staff for their commitment to fulfilling the vision and mission of SPP. In the year ahead our focus will continue to be monitoring investment performance, effective control of expenses and progress toward achieving an increase to the maximum contribution to the Plan.

Respectfully submitted,

SIGNED

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 hold ourselves and each other accountable for delivering on commitments, agreements and promises
- We live up to what we say by following through on commitments and by demonstrating leadership
- We take ownership of problems and accept personal responsibility

Transparency

- Actions and the results of those actions are clear
- Relevant information is available and openly shared

Strategic Direction

Priorities for strategic direction are influenced by internal and external situations within a company. Regardless of the environment in which the company operates the direction must ultimately lead to fulfillment of the mission statement for the firm.

Although SPP's strategic direction and goals have not changed substantially in recent years, there has been a shift in the external environment in which the Plan carries out its business, especially during 2009. Prior to the year under review, pensions did not attract a lot of attention among politicians, media and even plan members. That changed in 2009 when people realized the impact of the declining market value of their pensions. Pension access and adequacy has come under the scrutiny of elected officials, the press and plan members.

SPP's mission is "to grow through the provision of a superior investment opportunity that results in enhanced financial security at retirement". The events of the past couple of years were carefully considered by the Board of Trustees as they defined challenges and opportunities for SPP. The Board works to provide appropriate service to stakeholders and to keep the Plan relevant and viable.

Governance provided a solid foundation for the strategic direction of the Plan and is a key function of the Board. Governance refers to the structure and processes for overseeing, managing and administering the pension plan to ensure the fiduciary and other obligations of the Plan are met. This is the assurance to members that the Plan is prudently administered.

SPP values the loyalty demonstrated and input provided by its members. Their satisfaction is tracked using a set of service standards developed for all aspects of plan operations. Input from members is core in the strategic planning process. Members expressed concern regarding the limited investment choices available and in response the Board will introduce a Short-Term Fund (STF) in 2010 with the sole purpose of capital preservation versus the capital growth goal of the Balanced Fund (BF).

The strategic direction for SPP during the year under review is focused on four goals.

Goal 1: Increase the maximum contribution

Achievement of this end depends on significant cooperation between SPP, the provincial government and the federal government. Progress stalled somewhat in 2009 as federal and provincial efforts were spent studying the broader issues of pension adequacy.

Goal 2: Growth of SPP membership

Recruitment of new, younger members is critical to maintaining a viable plan. Targeting younger people allows the Plan to establish a long-term relationship with its customers and aids in the achievement of asset growth.

Goal 3: Growth of SPP assets

Contributions received from members during the year totalled 6.7 million, 6.5 per cent behind 2008 levels. Net assets under management in the Contribution Fund (CF) at December 31, 2009 were $176.8 million and $91.1 millon in the Annuity Fund (AF).

Goal 4: Optimize member satisfaction

Prudent administration is part of the Plan's fiduciary obligation to members and impacts members' satisfaction. A measure of success in this area is the expense ratio which was 1.0 per cent for the CF and 0.5 percent for the AF in 2009.

Looking ahead

A second option for investment in the CF will be introduced early in 2010. Beyond day-to-day plan operations and continued service to the public, the primary focus of resources in the coming year will be on increasing the maximum contribution to the Plan.

Plan Operations

SPP is a voluntary, capital accumulation plan available to anyone between 18 and 71 years of age. Eligibility is not dependent on residency, income, employment status, gender or membership in other plans. SPP members are full-time employees, part-time employees, self employed people, homemakers, farmers and students. At December 31, 2009, SPP had 31,830 members (2008: 32,772).

New Member Profile

- 589 people joined SPP in 2009.
- 75 per cent identified themselves as full-time, part-time or self employed.
- Average age of new members in 2009 was 37.6 years.

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

- visiting the Plan's website at saskpension.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 designed for flexibility 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 plan year;
- Portable - people can join and contribute to the Plan regardless of where they reside; and
- Professionally managed investments.

Members and the public use the toll-free inquiry line and the website to contact SPP. In 2009 the toll-free line received more than 10,000 calls and web traffic continued to increase.

Contributing to SPP

SPP has an annual maximum contribution of $600 and there is no minimum contribution. Contributions are tax deductible by the member or their spouse within RRSP guidelines. During 2009, 11,412 members contributed to SPP with an average contribution of $588 (2008: 12,157; $590).

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.

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.

Assets of members who have not yet retired are held in the Contribution Fund (CF), an actively managed, balanced fund of bonds, equities and money market investments. The purpose of the fund is to provide members with long-term growth. The Statement of Investment Policies and Goals for the Plan balances the need for capital growth of younger members and the desire for capital preservation of older members with a mix of equities and fixed income investments. More information on the fund is found in the Investment Report section (page 13) and the Investment Policy Summary (page 17).

SPP is a straight-forward, affordable pension plan.

Plan Operations

Employer Plan

SPP offers a unique opportunity to business owners and their employees. Employers can use SPP to offer the benefit of a pension plan to their employees without incurring the costs of administering it. 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 or transfer their account to a locked-in retirement account or prescribed registered retirement income fund with another financial institution. SPP also offers a small pension payout option for members whose monthly benefit is less than the prescribed amount. In 2009, pensions under $19.29 per month qualified for this 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.

Retired Members

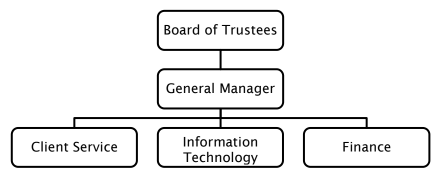
- 354 members retired in 2009.
- Average monthly pension for new retirees was $94.
- Highest monthly pension is $346.
- 11,524 members received a pension from SPP at the end of 2009.
- 158 members started a pension in 2009 at an average age of 64 years.
- 139 members transferred into other retirement income vehicles.
- 57 chose the small pension payout option.

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.

Administration

SPP is administered by a Board of Trustees 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 two-year terms. The Chairperson is Robert Devrome; board members are Tim Calibaba, Warren Wagner and Patricia Weir. At year end there was one vacancy.



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 Dexia 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, Hewitt Associates, who assists the Board in monitoring the performance of the investment managers.

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

SPP Board of Trustees

From left to right: Warren Wagner, Tim Calibaba, Patricia Weir and Robert Devrome.

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 is also complying with the Overarching Personal Information Privacy Framework for Executive Government. Questions about privacy should be directed to the Plan's Privacy Officer.

Member Statistics

Member Status	*%*
Active	65
Retired	35

Sex	*%*
Female	71
Male	29

Occupation	*%*
Homemaker	22
Farmer	9
Self Employed	11
Full time	27
Part time	22
Student	5
Other	4

Age Distribution	*%*
18-25	3
26-34	8
35-49	19
50-65	33
Over 65	37

Investment Report

After reaching multi-year lows in the first quarter of 2009, equity markets around the world continued the rally started in March. Investor sentiment started to stabilize as a consensus about the worst of the credit crisis being behind us took root. With the absence of new monetary stimulus measures in the second quarter, the flight to safety trend began to unwind and investors began to add risk back to their portfolios, reducing their most liquid and safe assets.

2009 Market returns	
S&P/TSX Composite Index	35.1%
S&P 500 Index (C$)	7.4%
MSCI EAFE Index (C$)	11.9%
DEX Universe Bond Index	5.4%

Equity markets continued their strong recovery into the third quarter but lost momentum in the final quarter of 2009. Renewed interest in commodities, especially metals, drove demand for Canadian stocks and the Canadian dollar. The Canadian dollar appreciated versus the U.S. dollar and eight of the eleven MSCI EAFE Index currencies. The domestic bond market had a slight negative return in the last quarter of 2009. Satisfied with the general state of corporate balance sheets, investors shifted their focus to rising fiscal deficits and the threat of inflation. The higher interest income of corporate bonds allowed the sector to avoid the losses of other sectors. All major indices posted positive returns in the year.

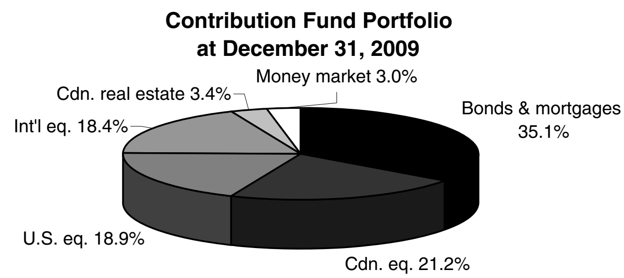
Looking forward, economists believe the recovering economy will be driven by a number of factors such as the stabilization of the housing sector, monetary policy, growth in emerging markets and governments' fiscal exit strategy. They are also predicting a continued sharp rebound in global equity markets and a decline in credit spreads.

Contribution Fund

The market value of SPP Contribution Fund (CF) increased from $155.7 million at the end of 2008 to $176.8 million at the end of 2009. This represents a return of 12.7 per cent after administration costs to allocate to members' accounts at year end. The historic rates of return are shown in the table on the right. The fund is managed by Greystone Managed Investments Inc. (Greystone) of Regina and Leith Wheeler Investment Counsel Ltd. (LW) of Vancouver.

SPP Return History	
2009	12.7%
5 year average	3.1%
10 year average	5.1%
Since inception (24 years)	8.2%

The CF is structured to provide long term capital growth and holds a mixture of equities, fixed income and Canadian real estate investments. The chart below shows the portfolio's asset mix at December 31, 2009.



The following is a summary of the 2009 CF performance by asset class. The rates of return used exclude administration fees which allows for a valid comparison to benchmarks. SPP's 2009 return, before administration expenses, was 13.5 per cent compared to a benchmark of 12.4 per cent.

Canadian Equities

Top 10 Canadian Equity Holdings in 2009	% of Portfolio		% of Portfolio
1. Royal Bank of Canada	6.8	6. Research In Motion	3.6
2. Toronto Dominion Bank	6.3	7. Cdn. Natural Resources	3.2
3. Bank of Nova Scotia	5.5	8. EnCana	2.9
4. Talisman Energy	4.7	9. Toromont Industries	2.8
5. Saputo	3.8	10. Canadian National Railway	2.7

The S&P/TSX Composite Index posted a return of 35.1 per cent in 2009. All 10 sectors had positive returns in the year, led by the Financials, Information Technology and Energy sectors. Telecom was the worst performing sector. Small cap stocks, as measured by the BMO Small Cap Index significantly outperformed large cap stocks.

SPP's Canadian equity portfolio returned 29.0 per cent. Both managers under-performed the benchmark due to a number of factors: LW was overweight in Industrials and Consumer Staples and Greystone was overweight in Consumer Discretionary and Consumer Staples and underweight in Financials, Energy and Materials. Stock selection across a number of sectors was an issue for both managers.

The chart below shows the sector weighting of each portion of the SPP Canadian equity portfolio at December 31, 2009. Similar information is provided for all asset classes.

	S&P/TSX Weight (%)	Portfolio Weight (%)	Index Return (%)
Financials	30.5	32.2	45.6
Information technology	3.5	6.7	44.3
Energy	27.6	23.7	39.5
S&P/TSX 300			**35.1**
Health care	0.4	0.0	34.4
Materials	19.4	11.7	34.2
SPP			**29.0**
Industrials	5.6	11.7	27.0
Utilities	1.7	0.7	19.0
Consumer discretionary	4.3	4.7	15.1
Consumer staples	2.8	5.8	8.1
Telecom services	4.2	2.8	6.6
Total	100.0	100.0	

U.S. Equities

Top 10 U. S. Equity Holdings in 2009	% of Portfolio		% of Portfolio
1. 3M Company	3.6	6. Johnson & Johnson	2.2
2. Microsoft	3.1	7. Merck & Co.	2.2
3. Markel	2.7	8. Apache	2.2
4. Intel	2.6	9. AFLAC	2.1
5. Pfizer	2.5	10. Becton Dickinson & Co.	2.0

The S&P 500 Index returned 26.5 per cent in US$ in 2009 with the return decreasing to 7.4 per cent in C$ as the Canadian dollar appreciated over the period. In Canadian dollar terms, only the Information Technology, Materials and Consumer Discretionary sectors posted a positive return. The Telecom and Utilities sectors were the worst performers. Growth stocks outperformed value stocks by a wide margin. Mid cap stocks performed better than large cap and small cap stocks

SPP's U.S. equity portfolio returned 6.7 per cent. LW outperformed the benchmark due to being overweight in Materials and Consumer Discretionary, underweight in Telecom and Consumer Staples, stock selection within the Energy and Consumer Staples sectors and a bias towards small cap and value stocks. Greystone underperformed the benchmark, despite adding value through sector calls, because of security selection within Industrials, Consumer Discretionary and Consumer Staples sectors.

	S&P 500 Weight (%)	Portfolio Weight (%)	Index Return (C$) (%)
Information technology	19.8	14.9	35.8
Materials	3.6	6.5	23.3
Consumer discretionary	9.6	15.5	17.9
S & P 500			**7.4**
SPP			**6.7**
Industrials	10.3	10.8	-0.4
Financials	14.4	14.3	-2.5
Energy	11.5	12.0	-5.5
Consumer staples	11.4	10.5	-5.6
Health care	12.5	14.2	-7.0
Utilities	3.7	1.3	-9.3
Telecom services	3.2	0.0	-12.9
Total	100.0	100.0	

Non-North American Equities

Top 10 Non-North American Equity Holdings in 2009	% of Portfolio		% of Portfolio
1. Novartis	2.8	6. Royal Dutch Shell	1.7
2. Nestle	2.5	7. CRH	1.5
3. Total	2.3	8. Honda Motor	1.4
4. HSBC Holdings	1.9	9. Adidas	1.4
5. Cash	1.8	10. Swatch Group	1.2

The MSCI EAFE Index, which measures the returns of non-North American equities, returned 24.7 per cent in local currency terms and 11.9 per cent in Canadian dollar terms for the year. Currency effects were significant, as eight of the eleven EAFE currencies depreciated versus the Canadian dollar. The Materials sector was the top performing sector and Utilities the worst performing sector. Overall, 18 of the 21 developed countries within the Index had positive returns. Japan was the worst performing developed country in the Index. Emerging markets outpaced developed markets by a wide margin and value stocks out-performed growth stocks.

SPP's non-North American (NNA) equity portfolio returned 18.7 per cent and both managers outperformed the benchmark. LW's sub-advisor for NNA equities is Sprucegrove and the outperformance can be attributed to overweights to Pacific ex-Japan, Singapore, Hong Kong, emerging markets, as well as overweights to Consumer Discretionary and Industrials sectors and security selection within those sectors. Large Cap value stocks added the most value.

Greystone's sub-advisors are Goldman Sachs and Hansberger. Hansberger had significant outperformance because of overweights to emerging markets including China, Brasil and India and an underweight to some of the worst performing sectors in the index. Goldmans Sachs' outperformance is attributed to a bias towards large cap value stocks and away from large cap growth stocks as well as good stock selection within the Materials sector.

Country	EAFE Weight (%)	Portfolio Weight (%)	Index Return (C$) (%)
Norway	0.8	0.4	58.9
Australia	8.4	3.5	49.8
Singapore	1.5	3.0	47.7
Sweden	2.5	1.1	39.4
Hong Kong	2.3	4.4	36.0
Belgium	1.0	1.4	33.8
New Zealand	0.1	0.0	27.7
Spain	4.6	3.1	21.9
United Kingdom	21.5	20.1	21.7
Austria	0.3	0.4	21.6
Netherlands	2.7	2.1	20.8
Portugal	0.3	0.0	19.2
SPP			**18.7**
Denmark	0.9	0.7	16.0
France	11.1	6.9	12.0
MSCI EAFE			**11.9**
Italy	3.5	3.1	7.5
Switzerland	7.7	10.3	6.4
Germany	8.1	6.6	6.3
Greece	0.5	0.0	6.2
Ireland	0.3	2.7	-4.6
Finland	1.1	0.7	-5.6
Japan	20.7	17.3	-9.8
Emerging Markets	0.1	10.0	-
Cash	-	2.2	-
Total	100.0	100.0	

Real Estate

The Board amended the investment policy as of January 1, 2009 to allow investment into Canadian Real Estate pooled fund, managed by Greystone, as a separate asset class. The mandate was substantially funded in the year starting in the second quarter of 2009 and this asset class will be reflected in the benchmark in 2010. In the final quarter of 2009 the real estate portfolio was affected by increased vacancy rates and accompanying tenant leverage.

Investment Report

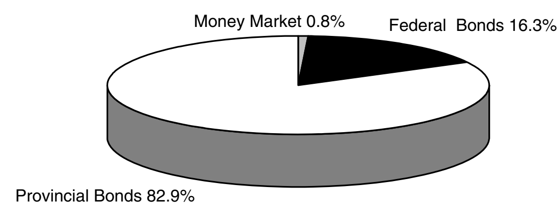
Fixed Income

The DEX Universe Bond Index, which measures the Canadian Bond market returns, gained 5.4 per cent in the year. Due to an expected slower economic recovery, the Bank of Canada lowered the overnight rate by 125 basis points (bps) during the year and has left the overnight rate (0.25 per cent) unchanged over the past five meetings. The U.S. Federal Reserve maintained a target range for the Federal fund rates of 0 per cent to 0.25 per cent. As of December 31, 2009, Canadian core inflation was 1.5 per cent, while total inflation was 1.3 per cent.

SPP's Fixed Income portfolio returned 7.1 per cent. Both managers outperformed the index due to overweights in corporate bonds and underweights to Government of Canada bonds during the year.

	DEX UBI Weight (%)	Portfolio Weight (%)	Index Return (%)
Corporate	27.5	50.3	16.3
SPP			**7.1**
Municipal	1.4	2.8	6.2
DEX UBI			**5.4**
Provincial	24.2	24.8	4.7
Federal	46.9	22.1	-0.2
Total	100.0	100.0	

Annuity Fund Portfolio at December 31, 2009



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, 2009 were $91.1 million and there was an actuarial surplus of $4.9 million at that same date.

Bond interest rates remained low throughout the year and therefore annuity rates were also low, ranging between 3.5 per cent and 4.0 per cent for the year. The fund is managed by Greystone and the chart above shows it composition as at December 31, 2009.

Investment Policy Summary

SPP has established two funds to hold the assets of the Plan: the Contribution Fund and Annuity Fund. 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.

The Board of Trustees establishes the Statement of Investment Policies and Goals (SIP&G), reviews investment performance quarterly and reviews the policy itself annually. The 2009 review took place November 17, 2008 and changes came into effect January 1, 2009. The SPP's SIP&G is available at saskpension.com.

Contribution Fund

The Contribution Fund (CF) holds assets of members who have not yet retired. The assets are accumulated under a defined contribution or capital accumulation arrangement. The purpose of the fund is to accumulate the assets of members and invest the money in a prudent, risk-controlled manner to provide for long term growth. The Plan 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.

Asset Mix

The Board's goal is to facilitate an asset mix that balances risks and rewards and avoids excessive volatility in the investment portfolio. Beginning in 2009, the Board approved the purchase of mortgage and real estate pooled funds, with real estate allocation funded through a reduction in the Greystone Managed Investments Inc. bond mandate. The table on the right shows the asset mix and benchmarks for the CF portfolio. The current benchmark and asset mix ranges were effective January 1, 2009. The long term benchmark will be effective upon the Plan becoming fully invested in real estate.

The target weight of each asset class, as a proportion of the total portfolio, and allowable ranges are approved annually by the Board with the objective of reaching our long-term strategic asset mix in a prudent and efficient manner.

Asset Mix

Asset Class (% of fair value)	Minimum	Maximum	Current Benchmark	Long-term Benchmark	Actual
Equities					
Canadian	14	24	19	19	21
U.S.	13	23	18	18	19
Non-North American	13	23	18	18	19
Total equities	**40**	**65**	**55**	**55**	**59**
Real estate	3	8	0	5	3
Fixed income					
Bonds & mortgages	30	50	42	37	35
Short term	0	10	3	3	3
Total Fixed income	**30**	**60**	**45**	**40**	**38**
Total fund			100	100	100

Private placement equities and certain other types of investments require prior approval of the Board.

Performance Measurement

The primary investment performance objective is to earn a rate of return that exceeds the current benchmark portfolio return over rolling four-year periods. The benchmark portfolio uses the following indices to measure performance:

- Canadian equities: S&P/TSX Capped Composite Index;
- U.S. equities: S&P 500 Index (Cdn $);
- Non-North American equities: MSCI EAFE Index (Cdn $);
- Real Estate: Investment Property Databank Index;
- Bonds and Mortgages: DEX Universe Bond Index; and
- Short-term investments: DEX 91 day Canadian Treasury Bills.

A second objective is to exceed the benchmark index in each of the asset classes in which the manager invests. Finally, the Fund is to achieve a minimum annualized rate of return of three per cent in excess of the Canadian Consumer Price Index over rolling four-year periods.

Investment Policy Summary

Risk management

The CF is exposed to a variety of investment risks: market risk (consisting of interest rate risk, foreign currency exchange risk and equity price risk), credit risk and liquidity risk. The Board manages and mitigates investment risks by establishing investment policies and reviewing them at least annually. 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;
- reviewing quarterly reports from investment managers on compliance with the Investment Policy throughout the reporting period.

Annuity Fund

The Annuity Fund (AF) holds assets transferred from the CF at retirement. Assets in the fund are used to provide annuity payments for life to retired members. Overall, the risk tolerance of the fund is low as the fund cannot tolerate loss of principle.

The objectives of the Fund 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

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

- fluctuations in the value of the investment portfolio, which are caused by changes in investment 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.

Asset Mix

The AF is invested in high quality fixed income instruments and short-term investments all denominated and payable in Canadian dollars.

Subject to requirements and restrictions imposed by *The Pension Benefits Act* and Regulations, 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.

Investment Policy Summary

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 monitored annually by comparing the present value of the asset cash flow stream to the present value of the estimated liability payments.

Risk management

The Board of Trustees retains an independent actuary to value the accrued benefit obligations annually based on economic and demographic assumptions. The validity of all assumptions is monitored each year against actual experience and updated periodically.

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 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.

Actuaries' Opinion

Aon Consulting was retained by the Saskatchewan Pension Plan (the Plan) to perform actuarial valuations of the assets and liabilities of the Saskatchewan Pension Plan on a funding basis as at December 31, 2009. The valuation of the Plans' actuarial assets and liabilities were based on:

- Membership and asset data provided by the Saskatchewan Pension Plan as at December 31, 2009; and
- Assumptions about future events (economic and demographic) which were developed by Aon Consulting.

While the actuarial assumptions used to estimate liabilities for the Plan are, in our opinion, reasonable, 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 the assumptions used are, in aggregate, appropriate. Our opinions have been given, and our valuation has been performed in accordance with accepted actuarial practice.

SIGNED

Donald L. Ireland
Fellow, Canadian Institute of Actuaries

February 12, 2010

Management and Auditors' Reports

Management's Responsibility for Financial Statements

The accompanying 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 generally accepted accounting principles 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 Trustees 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 external auditor, Deloitte & Touche LLP, in accordance with Canadian generally accepted auditing standards, on behalf of the Members of the Legislative Assembly of Saskatchewan.

SIGNED

Robert J. Devrome
Chairperson

SIGNED

Katherine Strutt
General Manager

February 12, 2010

To the Members of the Legislative Assembly of Saskatchewan

We have audited the statement of net assets available for benefits of the Saskatchewan Pension Plan (the Plan) as at December 31, 2009 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as at December 31, 2009 and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

SIGNED

Chartered Accountants
Saskatoon, Canada

February 12, 2010

Statement of Net Assets Available for Benefits

As at December 31

	2009			2008		
	Contribution Fund	**Annuity Fund**	**Total**	**Contribution Fund**	**Annuity Fund**	**Total**
ASSETS						
Investments at market value (Notes 3 and 4)	$ 175,874,772	$ 89,662,446	$ 265,537,218	$ 154,646,192	$ 92,226,791	$ 246,872,983
Cash	525,367	121,114	646,481	308,050	100,888	408,938
Accrued investment income	404,070	1,019,380	1,423,450	606,411	1,015,735	1,622,146
Prepaid (deferred) retirement transfers	270,590	(270,590)	-	320,668	(320,668)	-
Prepaid pension benefits	-	635,812	635,812	-	633,130	633,130
Total assets	177,074,799	91,168,162	268,242,961	155,881,321	93,655,876	249,537,197
LIABILITIES						
Administrative expenses payable	170,972	50,273	221,245	137,138	43,703	180,841
Deaths and other benefits payable	129,373	49,384	178,757	66,306	17,641	83,947
Deferred member contributions	2,925	-	2,925	5,077	-	5,077
Provision for annuity benefits (Note 5)	-	86,214,505	86,214,505	-	89,521,532	89,521,532
Total liabilities	303,270	86,314,162	86,617,432	208,521	89,582,876	89,791,397
NET ASSETS AVAILABLE FOR BENEFITS	$ 176,771,529	$ 4,854,000	$ 181,625,529	$ 155,672,800	$ 4,073,000	$ 159,745,800

ON BEHALF OF THE TRUSTEES:

SIGNED

Robert J. Devrome, Chairperson

SIGNED

Timothy Calibaba

(See Accompanying Notes)

Statement of Changes in Net Assets Available for Benefits

For the year ended December 31

	2009			2008		
	Contribution Fund	Annuity Fund	Total	Contribution Fund	Annuity Fund	Total
INCREASE IN ASSETS						
Investment income						
Interest and other income	$ 2,569,590	$ 4,831,492	$ 7,401,082	$ 3,082,074	$ 4,840,205	$ 7,922,279
Dividends	1,239,708	-	1,239,708	2,156,835	-	2,156,835
Pooled funds	1,821,495	-	1,821,495	1,980,982	-	1,980,982
	5,630,793	4,831,492	10,462,285	7,219,891	4,840,205	12,060,096
Change in market value of investments	15,648,542	(1,701,543)	13,946,999	(35,540,971)	1,006,764	(34,534,207)
Contributions	6,705,838	-	6,705,838	7,169,619	-	7,169,619
Transfers from Contribution Fund	-	2,778,127	2,778,127	-	4,914,127	4,914,127
	27,985,173	5,908,076	33,893,249	(21,151,461)	10,761,096	(10,390,365)
DECREASE IN ASSETS						
Annuities to pensioners	-	7,599,836	7,599,836	-	7,502,262	7,502,262
Change in provision for annuity benefits (Note 5)	-	(3,307,027)	(3,307,027)	-	3,196,951	3,196,951
Administrative expenses (Note 8)	1,677,361	415,938	2,093,299	1,706,292	404,411	2,110,703
Transfers to other plans	2,074,821	-	2,074,821	2,686,876	-	2,686,876
Transfers to Annuity Fund	2,778,127	-	2,778,127	4,914,128	-	4,914,128
Deaths and other benefits	356,135	418,329	774,464	230,501	296,472	526,973
	6,886,444	5,127,076	12,013,520	9,537,797	11,400,096	20,937,893
Change in net assets	21,098,729	781,000	21,879,729	(30,689,258)	(639,000)	(31,328,258)
NET ASSETS AVAILABLE FOR BENEFITS BEGINNING OF YEAR	155,672,800	4,073,000	159,745,800	186,362,058	4,712,000	191,074,058
NET ASSETS AVAILABLE FOR BENEFITS END OF YEAR	$ 176,771,529	$ 4,854,000	$ 181,625,529	$ 155,672,800	$ 4,073,000	$ 159,745,800

(See Accompanying Notes)

Notes to the Financial Statements

For the year ended December 31, 2009

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 following funds were established to administer the Plan:

   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. The Fund holds a balanced portfolio including equities, bonds and money market investments to maximize earnings while minimizing risk to members.

   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 Fund holds investments in high quality long-term bonds. The Fund 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 Fund 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 Contribution Fund is voluntary and members can contribute a maximum of $600 for each plan year. 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 market 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 prescribed provincial plan under the *Income Tax Act* and is not subject to 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 2009, the prescribed amount was $19.29 (2008: $18.71).

2. **Significant Accounting Policies**
   The financial statements are prepared in accordance with Canadian generally accepted accounting principles. The following policies are considered to be significant:

   (a) 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. 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 market value.

(b) Valuation of Investments

Investments are stated at fair value and are determined as follows:

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

(ii) Bonds are valued at year end quoted market prices from recognized security dealers.

(iii) Equities are valued at quoted market price obtained from recognized stock exchanges on which securities are principally traded.

(iv) Pooled funds are valued based on the quoted market price of the underlying investments.

(v) Real Estate is recorded at market value as estimated by independent appraisals.

(c) 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 current period change in market value of investments.

(d) Fair Value

Accounts receivable, prepaid (deferred) retirement transfers, prepaid pension benefits, administrative expenses payable, deaths and other benefits payable and deferred member contributions are all short term in nature and as such, their carrying value approximates fair value.

(e) Capital Assets

Assets costing more than $25,000 are capitalized and amortized using the straight-line method at rates intended to amortize them over their estimated useful life. The estimated useful life of computer equipment is three years. Assets costing less than the above threshold are expensed in the year of purchase.

(f) Future Accounting Changes

The Canadian Accounting Standards Board (AcSB) has decided that while the use of International Financial Reporting Standards (IFRS) will be required for Canadian publicly accountable enterprises for fiscal years beginning on or after January 1, 2011, that the primary standard applicable to pension plans will continue to be the Canadian Institute of Chartered Accountants (CICA) Handbook *Section 4100 – Pension Plans* instead of *International Accounting Standards 26 – Accounting and Reporting by Retirement Benefit Plans.* In July 2009, an exposure draft titled “Pension Plans” was issued which proposes new standards for pension plans based on existing Section 4100, *Pension Plans*, with modifications including increased disclosures. The comment period for this exposure draft closed in October 2009, and the final standard is expected to be issued in April 2010. The proposed standards will be effective for annual financial statements for fiscal years beginning on or after January 1, 2011. Earlier application will be permitted. The Plan is currently assessing the impact of these changes on the financial statements and related notes.

(g) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles 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 and the provision for annuity benefits.

3. **Contribution Fund Investments**

(a) Investments

The Plan invests directly or through pooled funds in accordance with the Board's policy of asset diversification.

	2009	2008
	Fair Value	Fair Value
Bonds and bond pooled funds		
Supranational	$ -	$ 361,117
Federal	11,323,593	12,958,564
Provincial	11,269,241	12,560,348
Municipal	1,293,407	1,323,432
Corporate	20,565,590	23,655,884
Leith Wheeler Total Return Bond Fund	14,051,011	13,176,080
	58,502,842	64,035,425
Equities and equity pooled funds		
Canadian equities	36,908,624	27,837,588
Leith Wheeler Special Canadian Equity Fund	291,390	166,678
United States equities	17,057,812	31,549,610
Leith Wheeler US Equity Pension Pooled Fund	16,180,111	-
Non North American equities	446,291	350,646
Leith Wheeler International Equity Fund	16,434,714	13,601,300
Greystone EAFE Plus Fund	15,503,510	13,160,907
	102,822,452	86,666,729
Other		
Money markets	5,345,134	3,944,038
Greystone Real Estate Fund	6,049,469	-
Greystone Mortgage Fund	3,154,875	-
	14,549,478	3,944,038
Total Investments	$ 175,874,772	$ 154,646,192

Bonds and bond pooled funds

The portfolio contains bonds that the Plan 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 Total Return 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 capital 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 EAFE Plus 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 mortgage in Canadian real estate.

(b) Fair Value Measurements

In accordance with the CICA Handbook Section 3862, the Plan classifies its' investments in Level 1, which refers to financial assets or liabilities whose values are based on unadjusted quoted prices in active markets for identical assets or liabilities; Level 2, which refers to financial assets and liabilities whose values are other than quoted prices that are observable for the asset or liability either directly or indirectly; and Level 3, which refers to financial assets and liabilities whose values are not based on observable market data. 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 Plan's financial instruments within the fair value hierarchy as December 31, 2009.

	Level 1	Level 2	Level 3	Total
Money market	$ -	$ 5,345,134	$ -	$ 5,345,134
Bonds & bond pooled funds	-	58,502,842	-	58,502,842
Equities & equity pooled funds	87,318,942	15,503,510	-	102,822,452
Mortgage fund	-	-	3,154,875	3,154,875
Real Estate Fund	-	-	6,049,469	6,049,469
	$ 87,318,942	$ 79,351,486	$ 9,204,344	$ 175,874,772

The following is a reconciliation of the level 3 fair value measurements from December 31, 2008 to December 31, 2009.

	Mortgages	Real Estate	Total
Balance at December 31, 2008	$ -	$ -	$ -
Purchases	3,167,081	6,066,000	9,233,081
Net transfer in (out)	-	-	-
Gains (Losses)			
Realized	-	-	-
Unrealized	(12,206)	(16,531)	(28,737)
Balance at December 31, 2009	$ 3,154,875	$ 6,049,469	$ 9,204,344

(c) Financial Risk Management

The nature of the Plan's operations results in a statement of net assets 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 of Trustees annually. The investment policy provides 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 policy.

(i) Credit Risk

Credit risk is the risk of loss arising from the failure of a counterpart to fully honor its financial obligation with the Plan, including its inability or unwillingness to pay borrowed principal, interest or rent 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 to which the Plan is exposed is summarized as follows:

At year end the Plan held bonds with a BBB rating of 9.5% (2008: 6.8%) and all other bonds were rated higher.

	2009	2008
Receivables	$ 297,529	$ 409,104
Money Market	5,345,134	3,944,038
Bonds	58,502,842	64,035,425
Mortgages	3,154,875	-
	$ 67,300,380	$ 68,388,567

Other than the Government of Canada, no single issuer represents more than 5.0% (2008: 5.6%) of the overall bond portfolio. Fixed rate bonds have effective interest rates ranging between 0.1% and 15.1% (2008: 0.9% and 18.3%) and coupon rates ranging between 0.5% and 11.0% (2008: 2.7% and 11.0%).

(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 other price risk. Significant volatility in interest rates, equity values and the value of the Canadian dollar against the currencies in which our investments are held can impact the value of our investments.

Foreign Currency Risk

Investments denominated in currencies other than the Canadian dollar expose the Plan to fluctuations in foreign exchange rates. Fluctuations in the relative value of the Canadian dollar against these foreign currencies can result in a positive or a negative effect on the fair value of investments. 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.

The use of derivatives may be used as a strategy to mitigate the risk of foreign currency fluctuations. No derivatives can be used for speculative trading or to create a portfolio with leverage.

In Canadian dollars, the Plan's foreign currency exposure at December 31 is as follows:

Currency	2009	2008
United States dollar	$ 33,880,500	$ 31,900,256
Euro	8,604,042	6,326,794
Japanese yen	5,534,952	5,631,903
British sterling	5,749,157	4,718,025
Emerging market currencies	3,192,287	3,267,207
Swiss franc	3,303,001	3,084,260
Singapore dollar	960,336	947,687
Hong Kong dollar	1,882,820	926,158
Other	2,515,343	1,860,173
	$ 65,622,438	$ 58,662,463

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 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 Fund holds approximately 38.1% (2008: 43.9%) of its investments in fixed income securities, 3.4% in real estate (2008: 0.0%) and 58.5% (2008: 56.1%) in equities at December 31, 2009. As of December 31, 2009, a 1.0% increase in nominal interest rates would result in a decline in the fair market value of bonds of 5.6% (2008: 5.2%).

	2009					2008
	Remaining term to maturity					
	Within 1	1 to 5	6 to 10	Over 10	Total	Total
Supranational	$ -	$ -	$ -	$ -	$ -	$ 361,117
Federal	136,996	7,982,709	1,181,895	2,021,993	11,323,593	12,958,564
Provincial	-	505,885	2,868,385	7,894,971	11,269,241	12,560,348
Municipal	-	-	1,293,407	-	1,293,407	1,323,432
Corporate	561,040	8,360,451	5,710,925	5,933,174	20,565,590	23,655,884
Total Return Bond Fund	1,157,500	5,916,402	3,667,145	3,309,964	14,051,011	13,176,080
	$ 1,855,536	$ 22,765,447	$ 14,721,757	$ 19,160,102	$ 58,502,842	$ 64,035,425

Other Price Risk

Other price risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all financial instruments traded in the market. The Plan is subject to price risk through its public equity investments and uses strategies such as target weighting and diversification by geography, industry sectors and corporate entity to manage this risk.

(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 Contribution Fund investment performance before administration expenses:

	Annual Return		Rolling Four Year Return	
	2009	2008	2009	2008
Portfolio return	13.5%	-15.4%	2.3%	1.8%
Benchmark return	12.4%	-13.6%	2.1%	1.6%

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: DEX Universe Bond Index; and Short-term investments: 91 day Canadian Treasury Bills.

4. Annuity Fund Investments

(a) Investments

The Annuity Fund investments consist of the following:

	2009	2008
	Fair Value	Fair Value
Bonds		
Federal	$ 14,652,722	$ 15,844,653
Provincial	74,273,326	75,386,957
	88,926,048	91,231,610
Other		
Money markets	736,398	995,181
Total Investments	$ 89,662,446	$ 92,226,791

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

In accordance with the CICA Handbook Section 3862, the Plan classifies its’ investments in Level 1, which refers to financial assets or liabilities whose values are based on unadjusted quoted prices in active markets for identical assets or liabilities; Level 2, which refers to financial assets and liabilities whose values are other than quoted prices that are observable for the asset or liability either directly or indirectly; and Level 3, which refers to financial assets and liabilities whose values are not based on observable market data. 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 Plan's financial instruments within the fair value hierarchy as of December 31, 2009.

	Level 1	Level 2	Level 3	Total
Money market	$ -	$ 736,398	$ -	$ 736,398
Bonds	-	88,926,048	-	88,926,048
	$ -	$ 89,662,446	$ -	$ 89,662,446

(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 of Trustees. The investment policy provides guidelines to the Fund's investment manager for the asset mix of the portfolio regarding quality and quantity of permitted investments. Funds transferred from the Contribution Fund to the Annuity Fund 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 Annuity Fund. 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 Fund. 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, 2009 the Fund's maximum credit risk exposure relates to bonds, accrued income and short-term investments totaling $90,681,826 (2008: $93,242,521). At year end the Plan held bonds with a BBB rating of 0.0% (2008: 0.0%) and all other bonds were rated higher. Other than the Government of Canada, no single issuer represents more than 17.8% (2008: 16.0%) of the overall bond portfolio. Fixed rate bonds have effective interest rates ranging between 0.6% and 5.1% (2008: 0.8% and 5.2%).

(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 exchange risk, interest rate risk and other price risk. The investment policy addresses risk though an investment approach that allows investments solely in high quality fixed income instruments denominated in Canadian dollars. This mitigates the foreign exchange risk and other 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.

	2009					2008
	Remaining term to maturity					
	Within 1	1 to 5	6 to 10	Over 10	Total	Total
Federal	$ 887,460	$ 3,314,340	$ 2,651,107	$ 7,799,815	$ 14,652,722	$ 15,844,653
Provincial	3,444,994	14,068,218	18,629,021	38,131,093	74,273,326	75,386,957
	$ 4,332,454	$ 17,382,558	$ 21,280,128	$ 45,930,908	$ 88,926,048	$ 91,231,610

(iii) Liquidity Risk

The Plan is exposed to liquidity risk through its responsibility to pay pensions on a timely basis.

The Plan manages liquidity risk by maintaining adequate cash and cash equivalent balances. It ensures there is sufficient capital 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 Benefits

The provision for annuity benefits is the actuarial present value of the future expected annuity benefit obligation to pensioners as annually determined by Aon Consulting 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 3.3% (2008: 3.1%) was used to determine the liabilities as of December 31, 2009. The 1994 Group Annuity Mortality Table rates projected to 2022 with a 5% margin were used for actuarial valuation. The duration of annuity payments is 7.7 years.

The annual change in the liability is recorded in the Statement of Changes in Net Assets Available for Benefits. The principal components of the change in the provision for annuity benefits during the year are summarized below:

	2009	2008
Liability, beginning of year	$ 89,521,532	$ 86,324,581
Interest on liabilities	2,752,000	2,952,000
Increase in liability due to new annuities	2,894,000	4,944,000
Annuities paid with interest	(7,919,000)	(7,640,000)
Mortality experience	162,973	418,951
Change in programming assumption	129,000	-
Change in interest rate	(1,326,000)	2,522,000
	(3,307,027)	3,196,951
Liability, end of year	$ 86,214,505	$ 89,521,532

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 Annuity Fund exceeds the assets of the Annuity Fund to be a charge on and payable from the General Revenue Fund of the Province of Saskatchewan. At December 31, 2009 and 2008, the Annuity Fund 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 $5,267,000 or if the interest rate decreases by 1.0%, the Provision for Annuity Benefits increases by $6,012,000.

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 $4.9 million and for the next ten years $9.6 million.

6. Earnings Allocation to Members

Investment income plus the current year change in the market value of investments less administration expenses are allocated annually to members in the Contribution Fund.

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 $133,268 (2008: $142,638) and at year end had $1,407 (2008: $5,293) in accounts payable with these related parties.

At December 31, 2009, the Plan has $5,883,476 market value (2008: $6,331,785) invested in Province of Saskatchewan bonds with varying maturity dates and interest rates. Interest income during the year was approximately $377,942 (2008: $371,677) and change in the market value of these bonds was approximately -$448,309 (2008: $854,800).

8. Administrative Expenses

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

	2009	2008
Salaries and benefits	$ 784,211	$ 792,071
Professional and consulting services	679,280	670,903
Advertising and promotional	209,567	303,813
General Administration	203,591	109,451
Information expense	184,958	187,693
Board expenses	31,692	46,772
Total Administrative Expenses	$ 2,093,299	$ 2,110,703
Allocated as Follows:		
Contribution fund	$ 1,677,361	$ 1,706,292
Annuity fund	415,938	404,411
	$ 2,093,299	$ 2,110,703

9. Lease Commitment

The Plan is committed to an operating lease for office space to January 31, 2012 with minimum annual lease payments of $98,758 due to a related party.