Saskatchewan Pension Plan

Annual Report
for the year ending
December 31, 2010

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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, 2010.

Respectfully submitted,

SIGNED

Ken Krawetz
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, 2010.

Respectfully submitted,

SIGNED

Warren Wagner
Chairperson
Saskatchewan Pension Plan Board of Trustees

Chairperson's Message

Change was the theme for the Saskatchewan Pension Plan (SPP) during 2010.

SPP received approval to increase its maximum contribution limit, a limit which had been unchanged for 24 years. This enhancement allows our current and future members to accumulate a more meaningful retirement savings account with SPP. The positive response to the increase demonstrates that SPP will continue to be **the pension plan that people know and trust**.

Pension plans and pension adequacy continued to be a focus of the Finance Ministers and the press during the year. While the debate over what approach to take is ongoing Saskatchewan is in the unique position of already having a pension plan that is available to all people. The SPP is uniquely positioned to help individuals and small business address their retirement needs.

The Board is committed to achieving the Plan's mission and vision. As trustees we will continue to create the framework and environment for SPP to grow and flourish. From a member's perspective this means you are assured of sound governance practices and careful monitoring of investment performance. This report provides a summary of the statement of investment policies and goals used to administer the funds members have entrusted to us and the financial statements provide evidence of the sound financial position of the Plan.

Dr. Robert Devrome retired as Chairperson this year and I would like to thank him for the expertise he offered the Board during his tenure.

The coming year marks a milestone as SPP will celebrate its 25th anniversary. The Board will continue to administer the fund in the best interest of the Plan and the members it serves in its anniversary year and beyond.

Respectfully submitted,

SIGNED

Warren Wagner
Chairperson
Saskatchewan Pension Plan Board of Trustees

General Manager's Message

New challenges as a result of changes introduced at SPP during the year were the focus for Plan operations during 2010. Earnings are now allocated to member accounts on a monthly basis so that account holders can receive timely reports of their account status. In March the short-term fund was introduced in response to member requests for the opportunity to preserve capital as they approach retirement and protect capital during times of down-markets.

Response to the maximum contribution increase has been gratifying as members choose to use SPP to build retirement wealth. SPP is a voluntary plan and we understand the trust members place in us when they choose to invest in the Plan. We remain committed to a positive member experience from both a customer service and financial return perspective.

Preparing for investment choice and the change to the maximum contribution dominated operational activities at SPP during the year under review. I would like to acknowledge the professionalism and contribution of the team that administers the Plan on a daily basis. Their dedication and skill allowed the Plan to realize its successes this year.

Optimism returned to investment markets and, after a difficult second quarter due to sovereign debt issues overseas, the markets rebounded during the second half of the year. Members in the balanced fund received a 9.4 per cent return on their investment in 2010 while the return of the short-term fund returned 0.2 per cent. The plans administration cost were 1.0 per cent of assets for the year. The investment strategy adopted by the Board of Trustees for the balanced fund (BF) is designed for long-term growth and has paid members a return of 8.2 per cent in the past 25 years.

Growth and member satisfaction are the strategic goals which drive Plan operations. Contribution and new member growth remain promising.

We look forward to celebrating the Plan's 25th anniversary in 2011. The success of the program is a result of the loyalty members have demonstrated to the Plan. We look forward to continuing the relationship established with existing members and creating new relationships with people who join the Plan in the coming years.

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

The Saskatchewan Pension Plan (SPP) is a program developed ahead of its time. This plan, initiated 25 years ago, is what many jurisdictions now desire. It 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 Board's strategic direction continues to be one of growth. This is to the benefit of all current and prospective members. As the Plan grows, members will benefit from increasing economies of scale and the potential for more services. The primary goal for the past several years has focused on attaining approval from both the provincial and federal governments regarding the maximum contribution. This was achieved with the announcement on December 7, 2010 that amendments to the *Income Tax Act (Canada)* will accommodate an increase in the annual contribution limit for SPP to $2,500 and align its tax treatment with RRSPs.

Pension adequacy and access discussions continued on the national stage in 2010. As the debate continued on whether or not to expand the Canada Pension Plan (CPP), Finance Ministers met to discuss options. At the December 2010 meeting in Kananaskis, the federal Minister of Finance announced a proposal for discussion called the Pooled Registered Pension Plan (PRPP). Officials are still working on the details and consultations with the private sector and interest groups are on-going. SPP is often cited as a model for the PRPP.

The Plan's mission is "to grow through the provision of a superior investment opportunity that results in enhanced financial security at retirement". The recent contribution limit increase will help the Plan continue to be relevant and viable. The Plan will also continue to focus on small businesses, especially those with less than 10 employees, and those who do not have access to private pension arrangements.

Goal 1: Increase the maximum contribution

The federal and provincial governments announced on December 7, 2010 that the maximum contribution would increase to $2,500 and that contributions would be subject to RRSP contribution rules. Members may now transfer up to $10,000 per year from RRSPs and RRIFs. SPP officials are working with provincial law-makers to amend legislation so that the Plan can also accept funds from RPPs.

Goal 2: Growth of SPP membership

The Plan continues to recruit younger members. This was moderately successful in 2010 as 652 joined with the average age of 38.2 years.

Goal 3: Growth of SPP assets

Contributions in 2010 totaled $7.9 million, 17.1 per cent ahead of 2009 levels. This was a reflection of both new member growth and a moderate increase in investor confidence. Net assets under administration in the Contribution fund (CF) were $192.5 million (BF - $191.6 million and short-term fund (STF) - $0.9 million) and $95.3 million in the Annuity fund (AF).

Goal 4: 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 one per cent in the CF and 0.5 per cent in the AF.

Looking ahead

As the Plan looks forward to its 25th Anniversary in 2011, we continue to build on the success of the past 25 years. SPP is a simple, easy to use and understand pension plan with competitive returns, low fees and excellent customer service.

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 upon residency or membership in other plans; however as of December 7, 2010 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, 2010, SPP had 31,831 members (2009: 31,830).

Member statistics

Member status	*%*
Active	65
Retired	35

Sex	*%*
Female	71
Male	29

Occupation	*%*
Homemaker	21
Farmer	9
Self Employed	10
Full time	28
Part time	22
Student	6
Other	4

Age distribution	*%*
18-25	3
26-34	8
35-49	19
50-65	34
Over 65	36

New member profile

- 652 people joined SPP in 2010.
- 81 per cent identified themselves as full-time, part-time or self employed.
- Average age of new members in 2010 was 38.2 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 year;
- Portable - people can join and contribute to the Plan regardless of where they reside;
- Professionally managed investments; and
- Small business pension option.

Members and the public use the toll-free inquiry line and the website to contact SPP. In 2010 the toll-free line received more than 11,000 calls and web traffic continued to increase.

Contributing to SPP

As of December 7, 2010, SPP has an annual maximum contribution of $2,500 and there is no minimum contribution. Contributions are tax deductible by the member or their spouse within RRSP guidelines. During 2010, 11,963 members contributed to SPP with an average contribution of $656 (2009: 11,412; $588).

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). Within the CF 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

Plan Operations

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 15-16. More information on the CF performance in 2010 is found in the Investment Report section (page 11).

Employer plan

SPP is uniquely positioned to help small business address their retirement needs 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 to their employees without incurring the costs of administration. 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 2010, pensions under $19.67 per month qualified for this option.

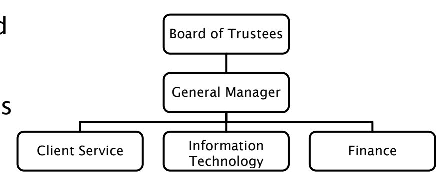
Each annuity the Plan offers will pay the recipient lifetime monthly benefits with possible payments to a beneficiary or survivor after the member's death.

Annuity payments are determined by the member's account balance, age at retirement, annuity option and interest and annuity rates in effect. 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.

Retired members

- 488 members retired in 2010.
- Average monthly pension for new retirees was $118.
- Highest monthly pension is $395.
- 11,444 members received a pension from SPP at the end of 2010.
- 230 members started a pension in 2010 at an average age of 66 years.
- 176 members transferred into other retirement income vehicles.
- 82 chose the small pension payout option.

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 Warren Wagner; board members are Tim Calibaba, Garry Schlichemeyer, Patricia Weir and Maureen Wilson.

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.

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.

SPP Board of Trustees

From left to right: Warren Wagner (Chairperson), Maureen Wilson, Tim Calibaba, Pat Weir and Garry Schlichemeyer.

Investment Report

Balanced portfolios routinely posted high single digit returns even amidst turbulent stock markets in 2010. The global economy and the markets have improved significantly since the peak of the banking and credit crisis in 2008. The U.S. Federal Reserve increased its market support program, European governments came to the aid of Greece and Ireland, and the U.S. Congress extended the tax cuts that were due to expire at year-end. Each of these actions boosted investor optimism.

2010 Market returns	
S&P/TSX Composite Index	17.6%
S&P 500 Index (C$)	9.1%
MSCI EAFE Index (C$)	2.1%
DEX Universe Bond Index	6.7%

On the flip side, concerns about European sovereign debt crisis still exist and there is heightened uncertainty about China's growth track and inflation. These global factors elevated investor angst that the global recovery could give way to another recession.

Equity markets posted a strong fourth quarter, capping a strong year. Nine of the 10 sectors in the S&P/TSX Composite Index (Canadian equities) posted positive returns for the year as did eight of 10 sectors in the S&P 500 Index (U.S. equities) and 6 of ten sectors in the MSCI/EAFE Index (Non-North American equities). The Bank of Canada raised the overnight rate by 75 basis points to the current level of one per cent. Momentum in housing during the first half of the year was one of the key factors prompting the central bank to raise rates. The U.S. Federal Reserve maintained its target range for the Federal Funds Rate at zero per cent to 0.25 per cent, citing a slower economic recovery.

The Board introduced a Short Term Fund (STF) for members in 2010 and the first funds were transferred into the STF on April 1, 2010. The STF was introduced as a way for members to reduce their exposure to equities. The Balanced Fund (BF) remains the default fund.

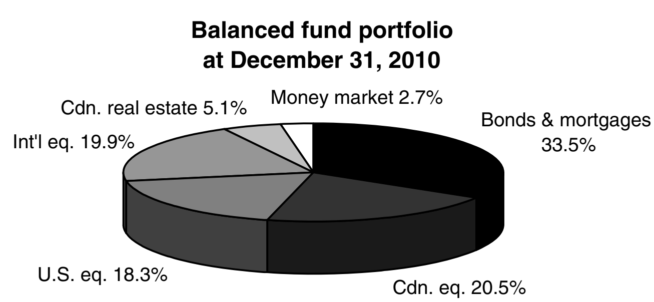
Looking forward, Canadian and U.S. corporate fundamentals continue to improve. Balance sheets are in superb condition, augmented by higher earnings and cash flows. A gradual improvement in the economy is expected, with job gains slowly materializing.

Contribution fund - BF results

The market value of the BF increased from $176.8 million at the end of 2009 to $192.5 million at the end of 2010. This represents a return of 9.4 per cent after administration costs to allocate 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 Ltd. of Vancouver.

SPP Return History	
2010	9.4%
5 year return	3.0%
10 year return	5.2%
Since inception (24 years)	8.2%

The BF 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 BF mix at December 31, 2010.



The following is a summary of the 2010 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 10.6 per cent compared to a benchmark of 8.4 per cent.

Investment Report

Canadian equities

Top 10 Canadian Equity Holdings in 2010	% of Portfolio		% of Portfolio
1. Toronto Dominion Bank	5.8	6. Toromont Industries	3.6
2. Bank of Nova Scotia	5.2	7. Leith Wheeler Special Canadian Equity Fund	3.2
3. Cdn. Natural Resources	4.5	8. Royal Bank of Canada	3.2
4. Talisman Energy	4.2	9. Manulife Financial	2.6
5. Saputo	4.1	10. CAE	2.6

The S&P/TSX Composite Index posted a return of 17.6 per cent in 2010. Nine of the ten sectors had positive returns in the year, led by the Health Care and Materials sectors. The Information Technology sector 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 17.7 per cent. Greystone outperformed the index despite the market favouring smaller cap stocks; being underweight to and stock selection in Financials; avoiding some of the weakest names in Consumer Discretionary; and a full weight in Materials. Leith Wheeler kept pace with the index even though they were underweight in Materials, the second best performing sector in the year.

The chart below shows the sector weighting of each portion of the SPP Canadian equity portfolio at December 31, 2010. Similar information is provided for all asset classes.

	S&P/TSX Weight (%)	Portfolio Weight (%)	Index Return (%)
Health Care	0.8	0.9	57.0
Materials	24.1	13.7	36.5
Consumer discretionary	4.5	7.2	25.3
Telecom services	4.0	3.6	22.4
Utilities	1.7	1.0	18.4
SPP			**17.7**
S&P/TSX			**17.6**
Industrials	5.5	13.0	16.9
Energy	26.6	21.4	13.3
Financials	27.9	29.5	10.5
Consumer staples	2.5	6.0	10.3
Information Technology	2.4	3.7	-11.6
Total	100.0	100.0	

U.S. equities

Top 10 U. S. Equity Holdings in 2010	% of Portfolio		% of Portfolio
1. 3M	3.8	6. Johnson & Johnson	2.3
2. Pfizer	3.2	7. Apache	2.3
3. Microsoft	3.0	8. Intel	2.3
4. Markel	2.8	9. Walgreen	2.2
5. Becton Dickinson	2.6	10. Carnival	2.2

The S&P 500 Index returned 15.1 per cent in US$ in 2010 with the return decreasing to 9.1 per cent in C$ as the Canadian dollar appreciated over the period. In Canadian dollar terms eight of ten sectors posted positive returns. Consumer Discretionary, Industrials and Telecom were the best performing sectors. Health Care and Utilities were the bottom performing sectors and the only sectors with negative returns. Growth and value stocks had similar performances. Mid and small cap stocks outperformed large cap stocks

SPP's U.S. equity portfolio returned 10.9 per cent in C$. The U.S. equity mandate was the strongest producer for Greystone in the year. Sector positioning was beneficial and stock selection in strong Consumer Discretionary names helped contribute to the strong performance. Leith Wheeler's sub-advisor, Sprucegrove, underperformed the index. An overweight in Consumer Discretionary added value. However, weak stock selection subtracted value in several sections including Energy and Utilities. The weak performance in Information Technology holdings was driven in part by the absence of current market favourite, Apple.

	S&P 500 Weight (%)	Portfolio Weight (%)	Index Return (C$) (%)
Consumer Descretionary	10.6	13.9	19.2
Industrials	11.0	12.3	17.5
Telecom services	3.1	0.0	16.1
Materials	3.7	5.8	13.7
Energy	12.0	12.0	11.7
SPP			**10.9**
S&P 500			**9.1**
Financials	16.1	14.0	5.0
Consumer staples	10.6	12.2	4.9
Information technology	18.7	14.3	3.4
Utilities	3.3	1.6	-4.4
Health care	10.9	13.9	-4.5
Total	100.0	100.0	

Non-North American equities

Top 10 Non-North American Equity Holdings in 2010			
	% of Portfolio		% of Portfolio
1. Cash	2.3	6. Adidas	1.6
2. Novartis Ag	2.3	7. Royal Dutch Shell	1.5
3. HSBC Holdings	2.2	8. Honda Motor	1.4
4. Total	2.0	9. SMC	1.3
5. Canon	1.7	10. Tesco	1.3

The MSCI EAFE Index, which measures the returns of non-North American equities, returned 4.8 per cent in local currency terms and 2.1 per cent in Canadian dollar terms for the year. Five currencies depreciated against the Canadian dollar. Financials, which accounts for nearly one quarter of the Index, was a major detractor. The sovereign debt crisis affecting Greece, Spain, Ireland and Portugal was also a major detractor. Thirteen of the 22 countries in the Index had positive returns. Emerging markets significantly outperformed developed markets and growth stocks outperformed value stocks.

SPP's non-North American (NNA) equity portfolio returned 7.8 per cent. Leith Wheeler's sub-advisor for NNA equities is Sprucegrove and the outperformance can be attributed to overweights to Hong Kong and Singapore and exposure to emerging markets like South Africa and India. The portfolio was also underweight in many European countries.

Greystone's sub-advisors are Goldman Sachs and Hansberger and they continued to provide value to the portfolio as they both outperformed the index. Goldman Sachs added value through overweights to Germany and Sweden though was hurt from exposure to the Euro. Hansberger's sector allocations were positive.

Country	EAFE Weight (%)	Portfolio Weight (%)	Index Return (C$) (%)
Sweden	3.2	2.2	26.8
Denmark	1.0	0.9	23.9
Hong Kong	2.9	6.1	16.8
Singapore	1.7	2.9	15.8
Japan	22.1	18.2	9.4
Australia	8.8	4.3	8.5
SPP			**7.8**
Switzerland	8.0	9.0	6.0
Norway	0.8	0.7	5.2
Finland	1.1	0.8	4.5
Austria	0.3	0.2	4.1
United Kingdom	21.2	17.1	3.1
Germany	8.2	7.5	2.8
New Zealand	0.1	0.1	2.7
MSCI EAFE			**2.1**
Israel	0.8	0.6	-2.1
Netherlands	2.5	3.3	-3.6
Belgium	0.9	1.3	-4.9
France	9.5	5.8	-9.1
Portugal	0.3	0.0	-15.9
Italy	2.6	2.5	-19.5
Ireland	0.2	2.2	-22.4
Spain	3.3	1.2	-26.0
Greece	0.2	0.0	-47.8
Emerging markets	0.3	9.9	-
Other	-	0.7	-
Cash	-	2.5	-
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 Managed

Investments, as a separate asset class. This asset class is included in the benchmark for the first time in 2010.

This was a year of recovery for Canadian commercial real estate. After struggling for 18 months, fundamentals stabilized. The Russell Property Investment Property Databank Index which measures the returns of Canadian commercial real estate returned 7.8 per cent. SPP's real estate portfolio returned 8.5 per cent. The Greystone Real Estate Fund benefited from stabilizing or improving commercial vacancy rates across the country.

Fixed income

The DEX Universe Bond Index, which measures the Canadian Bond market returns, gained 6.7 per cent in the year. The Bank of Canada raised the overnight lending rate by 75 basis points in the year to the current level of one per cent. With continued high unemployment and reduced consumer spending, the U.S. Federal Reserve maintained the Federal funds Rate target range of zero per cent to 0.25 per cent. As of December 31, 2010, Canadian core inflation was 1.8 per cent, while total inflation was 2.4 per cent.

SPP's fixed income portfolio returned 8.4 per cent. During the year Greystone positioned the portfolio nearly perfectly to benefit from declining long bond yields and narrowing credit spreads. The Greystone mandate was also aided by the strong performance of the Mortgage Fund, which rose nine per cent. Leith Wheeler outperformed the index with overweights to corporate bonds, Maple bonds, mortgage bonds and asset backed bonds.

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 DEX 91-day T-Bill Index returned 0.5 per cent. The STF returned 0.2 percent in the year.

	DEX UBI Weight (%)	Portfolio Weight (%)	Index Return (%)
Provincial	25.5	24.7	8.6
SPP			**8.4**
Municipal	1.4	2.6	8.2
Corporate	27.0	49.6	7.3
DEX UBI			**6.7**
Federal	46.1	22.9	5.4
Cash		0.2	
Total	100.0	100.0	

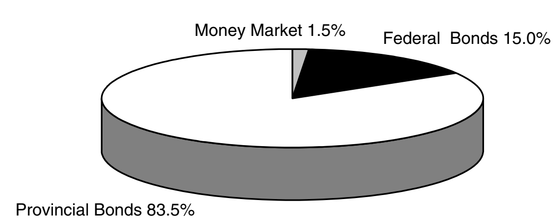
Annuity fund

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, 2010 were $95.3 million and there was an actuarial surplus of $5.6 million at that same date.

Bond interest rates remained low throughout the year and therefore annuity rates were also low, ranging between 3.0 per cent and 3.8 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, 2010.

Annuity fund portfolio at December 31, 2010



Investment Policy Summary

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

The Board of Trustees establishes the Statement of Investment Policies and Goals (SIP&G), reviews investment performance quarterly and reviews the policy itself annually. In 2010 the review took place December 10, 2009 and changes came into effect January 1, 2010. The SPP's SIP&G is available at saskpension.com.

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 Balanced Fund (BF) and the Short Term Fund (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 recommended as a long-term investment. This fund invests in money market instruments and is suitable for members as they approach retirement and who are willing to accept a low return in order to minimize market risk.

Risk management

The Plan is exposed to a variety of investment risks as a result of its investment activities. In the BF, these risks include market risk (consisting of interest rate risk, foreign currency 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 manages and mitigates investment risks by establishing investment policies which are reviewed and approved by the Board of Trustees 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; and
- reviewing quarterly reports from investment managers on compliance with the Investment Policy throughout the reporting period.

Investment Policy Summary

Asset mix

The SPP's Investment Policy for the CF is based on investment considerations and expectations of the Board for the two investment options available to members. The BF asset mix, shown in the table below, provides a long term targeted weight of 55 per cent for equities, 40 per cent for fixed income and mortgages, and 5 per cent for real estate. The goal is to manage an asset mix that balances risks and rewards and avoids excessive volatility in the investment portfolio.

Asset Mix

Asset Class (% of fair value)	Minimum	Maximum	Current Benchmark	Actual
Equities				
Canadian	14	24	19	21
U.S.	13	23	18	18
Non-North American	13	23	18	20
Total equities	**40**	**65**	**55**	**59**
Real estate	**3**	**8**	**5**	**5**
Fixed income				
Bonds & mortgages	30	50	37	33
Short term	0	10	3	3
Total Fixed income	**30**	**65**	**40**	**36**
Total fund			100	100

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. The fund's benchmark is the DEX 91 Day T-bill Index.

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 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 Data Bank;
- Bonds and Mortgages: DEX Universe Bond Index; and
- Short-term investments: DEX 91 Day Treasury Bills.

A second objective is to exceed the benchmark index in each of the asset classes in which the manager invests. And finally, the fund's long term investment goal is to achieve a minimum annualized rate of return of 3 per cent in excess of the Canadian Consumer Price Index assessed over annualized rolling four-year periods.

Annuity fund

The 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 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 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.

To achieve our objectives, the Fund is invested in high quality fixed income instruments and short-term investments all denominated and payable in Canadian dollars. Interest rate risk is addressed by matching

Investment Policy Summary

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.

The Board of Trustees retains an independent actuary to value the accrued benefit obligations annually based on economic and demographic assumptions. Each year, the Board and management monitor the validity of assumptions against actual experience and updated 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 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, 2010. 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, 2010; 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 25, 2011

Management's Responsibility for Financial Reporting

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

Warren Wagner
Chairperson

SIGNED

Katherine Strutt
General Manager

February 25, 2011

Auditors' 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 net assets available for benefits as at December 31, 2010, and the statement of changes in net assets available for benefits, 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 generally accepted accounting principles, 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 the Saskatchewan Pension Plan as at December 31, 2010, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

SIGNED

Chartered Accountants
Saskatoon, Saskatchewan

February 25, 2011

Statement of Net Assets Available for Benefits

As at December 31

	2010			2009		
	Contribution Fund	Annuity Fund	Total	Contribution Fund	Annuity Fund	Total
ASSETS						
Investments at market value (Notes 3 and 4)	$ 190,790,615	$ 94,449,565	$ 285,240,180	$ 175,874,772	$ 89,662,446	$ 265,537,218
Cash	850,571	225,671	1,076,242	525,367	121,114	646,481
Accrued investment income	371,652	949,136	1,320,788	404,070	1,019,380	1,423,450
Prepaid (deferred) retirement transfers	812,084	(812,084)	-	270,590	(270,590)	-
Prepaid pension benefits	-	653,748	653,748	-	635,812	635,812
Total assets	192,824,922	95,466,036	288,290,958	177,074,799	91,168,162	268,242,961
LIABILITIES						
Administrative expenses payable	299,411	64,060	363,471	170,972	50,273	221,245
Death and other benefits payable	55,922	61,262	117,184	129,373	49,384	178,757
Deferred member contributions	3,231	-	3,231	2,925	-	2,925
Provision for annuity benefits (Note 5)	-	89,756,714	89,756,714	-	86,214,505	86,214,505
Total liabilities	358,564	89,882,036	90,240,600	303,270	86,314,162	86,617,432
NET ASSETS AVAILABLE FOR BENEFITS	$ 192,466,358	$ 5,584,000	$ 198,050,358	$ 176,771,529	$ 4,854,000	$ 181,625,529

ON BEHALF OF THE TRUSTEES:

SIGNED

Warren Wagner, Chairperson

SIGNED

Timothy Calibaba

(See Accompanying Notes)

Statement of Changes in Net Assets Available for Benefits

For the year ended December 31

	2010			2009		
	Contribution Fund	**Annuity Fund**	**Total**	**Contribution Fund**	**Annuity Fund**	**Total**
INCREASE IN ASSETS						
Investment income						
Interest and other income	$ 2,236,783	$ 4,739,706	$ 6,976,489	$ 2,569,590	$ 4,831,492	$ 7,401,082
Dividends	1,305,133	-	1,305,133	1,239,708	-	1,239,708
Pooled funds	1,907,237	-	1,907,237	1,821,495	-	1,821,495
	5,449,153	4,739,706	10,188,859	5,630,793	4,831,492	10,462,285
Change in market value of investments	12,979,336	2,967,513	15,946,849	15,648,542	(1,701,543)	13,946,999
Contributions	7,853,960	-	7,853,960	6,705,838	-	6,705,838
Transfers from Contribution Fund	-	5,099,836	5,099,836	-	2,778,127	2,778,127
	26,282,449	12,807,055	39,089,504	27,985,173	5,908,076	33,893,249
DECREASE IN ASSETS						
Annuities to pensioners	-	7,685,449	7,685,449	-	7,599,836	7,599,836
Change in provision for annuity benefits (Note 5)	-	3,542,209	3,542,209	-	(3,307,027)	(3,307,027)
Administrative expenses (Note 8)	1,925,572	416,864	2,342,436	1,677,361	415,938	2,093,299
Transfers to other plans	3,215,093	-	3,215,093	2,074,821	-	2,074,821
Transfers to Annuity Fund	5,099,836	-	5,099,836	2,778,127	-	2,778,127
Deaths and other benefits	347,119	432,533	779,652	356,135	418,329	774,464
	10,587,620	12,077,055	22,664,675	6,886,444	5,127,076	12,013,520
Change in net assets	15,694,829	730,000	16,424,829	21,098,729	781,000	21,879,729
NET ASSETS AVAILABLE FOR BENEFITS BEGINNING OF YEAR	176,771,529	4,854,000	181,625,529	155,672,800	4,073,000	159,745,800
NET ASSETS AVAILABLE FOR BENEFITS END OF YEAR	$ 192,466,358	$ 5,584,000	$ 198,050,358	$ 176,771,529	$ 4,854,000	$ 181,625,529

(See Accompanying Notes)

Notes to the Financial Statements

For the year ended December 31, 2010

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 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 and money market investments to maximize earnings while minimizing risk to members. The STF only holds money market investments and is the least volatile.

The Plan introduced the STF investment option March 1, 2010 and members of SPP have the option to invest in either 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 Contribution Fund is voluntary and members can contribute a maximum of $600 for each plan year. Effective December 7, 2010 the maximum contribution limit was increased to $2,500 and members may now transfer $10,000 annually from an RRSP or RRIF 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 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 2010, the prescribed amount was $19.67 (2009: $19.29).

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, death 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

In April 2010, the CICA issued Section 4600, Pension Plans, replacing Section 4100, Pension Plans. The new Section will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2011. Accordingly, the Plan will adopt the new standards for its fiscal year beginning January 1, 2011. It establishes requirements for measurement and presentation of information in general purpose financial statements of pension plans, as well as financial statement disclosures. The Plan is currently evaluating the impact of the adoption of this new Section on its financial statements.

(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.

	2010	2009
	Fair Value	Fair Value
Bonds and bond pooled funds		
Federal	$ 12,538,063	$ 11,323,593
Provincial	10,436,404	11,269,241
Municipal	1,258,416	1,293,407
Corporate	19,104,634	20,565,590
Leith Wheeler Total Return Bond fund	16,280,220	14,051,011
	59,617,737	58,502,842
Equities and equity pooled funds		
Canadian equities	37,791,985	36,908,624
Leith Wheeler Special Canadian Equity fund	1,254,137	291,390
United States equities	17,489,355	17,057,812
Leith Wheeler US Equity Pension fund	17,419,496	16,180,111
Non North American equities	467,860	446,291
Leith Wheeler International Equity fund	18,508,791	16,434,714
Greystone EAFE Plus fund	18,910,214	15,503,510
	111,841,838	102,822,452
Other		
Money market	4,201,743	5,345,134
Greystone Real Estate fund	9,791,542	6,049,469
Greystone Mortgage fund	4,465,441	3,154,875
Greystone Money Market fund	872,314	-
	19,331,040	14,549,478
Total Investments	$ 190,790,615	$ 175,874,772

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 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, 2010.

	2010				2009
	Level 1	Level 2	Level 3	Total	Total
Money market	$ -	$ 5,074,057	$ -	$ 5,074,057	$ 5,345,134
Bonds & bond pooled fund	-	59,617,737	-	59,617,737	58,502,842
Equities & equity pooled funds	92,931,624	18,910,214	-	111,841,838	102,822,452
Mortgage pooled fund	-	-	4,465,441	4,465,441	3,154,875
Real Estate pooled fund	-	-	9,791,542	9,791,542	6,049,469
	$ 92,931,624	$ 83,602,008	$ 14,256,983	$ 190,790,615	$ 175,874,772

The following is a reconciliation of the level 3 fair value measurements from December 31, 2009 to December 31, 2010.

	2010		
	Mortgages	Real Estate	Total
Balance at December 31, 2009	$ 3,154,875	$ 6,049,469	$ 9,204,344
Purchases	988,000	3,000,000	3,988,000
Net transfer in (out)	-	-	-
Gains (losses)	-	-	-
Realized	224,392	-	224,392
Unrealized	98,174	742,073	840,247
Balance at December 31, 2010	$ 4,465,441	$ 9,791,542	$ 14,256,983

(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 policies 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 policies.

(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 9.3% (2009: 9.5%) and all other bonds were rated higher.

	2010	2009
Accrued interest income	$ 276,006	$ 297,529
Money market	5,074,057	5,345,134
Bonds	59,617,737	58,502,842
Mortgages	4,465,441	3,154,875
	$ 69,433,241	$ 67,300,380

Other than the Government of Canada, no single issuer represents more than 8.2% (2009: 5.0%) of the overall bond portfolio. Fixed rate bonds have effective interest rates ranging between 0.1% and 17.1% (2009: 0.1% and 15.1%) and coupon rates ranging between 0.3% and 11.0% (2009: 0.5% 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 the Plan's investments are held can impact the value of the Plan's 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	2010	2009
United States dollar	$ 35,654,343	$ 33,880,500
Euro	9,297,175	8,604,042
Japanese yen	6,817,929	5,534,952
British sterling	6,388,170	5,749,157
Emerging market currencies	3,696,453	3,192,287
Swiss franc	3,378,592	3,303,001
Singapore dollar	1,095,230	960,336
Hong Kong dollar	2,275,334	1,882,820
Other	4,192,491	2,515,343
	$ 72,795,717	$ 65,622,438

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 36.3% (2009: 38.1%) of its investments in fixed income securities, 5.1% in real estate (2009: 3.4%) and 58.6% (2009: 58.5%) in equities at December 31, 2010. As of December 31, 2010, a 1.0% increase in nominal interest rates would result in a decline in the fair market value of bonds of 5.6% (2009: 5.6%).

	2010					2009
	Remaining term to maturity					
	Within 1	1 to 5	6 to 10	Over 10	Total	Total
Federal	$ 1,708,803	$ 6,753,535	$ 1,260,325	$ 2,815,400	$ 12,538,063	$ 11,323,593
Provincial	-	-	5,016,911	5,419,493	10,436,404	11,269,241
Municipal	-	-	1,258,416	-	1,258,416	1,293,407
Corporate	989,865	6,244,847	7,904,413	3,965,509	19,104,634	20,565,590
Total Return Bond fund	1,195,634	6,644,117	4,633,897	3,806,572	16,280,220	14,051,011
	$ 3,894,302	$ 19,642,499	$ 20,073,962	$ 16,006,974	$ 59,617,737	$ 58,502,842

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	
	2010	2009	2010	2009
Portfolio return	10.6%	13.5%	1.7%	2.3%
Benchmark return	8.4%	12.4%	1.4%	2.1%

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:

	2010	2009
	Fair Value	Fair Value
Bonds		
Federal	$ 14,143,276	$ 14,652,722
Provincial	78,903,176	74,273,326
	93,046,452	88,926,048
Other		
Money market	1,403,113	736,398
Total Investments	$ 94,449,565	$ 89,662,446

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, 2010.

	2010				2009
	Level 1	Level 2	Level 3	Total	Total
Money market	$ -	$ 1,403,113	$ -	$ 1,403,113	$ 736,398
Bonds	-	93,046,452	-	93,046,452	88,926,048
	$ -	$ 94,449,565	$ -	$ 94,449,565	$ 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 AF'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 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, 2010 the Fund's maximum credit risk exposure relates to bonds, accrued income and short-term investments totaling $95,398,701(2009: $90,681,826). At year end the Plan held bonds with a BBB rating of 0.0% (2009: 0.0%) and all other bonds were rated higher. Other than the Government of Canada, no single issuer represents more than 18.3% (2009: 17.8%) of the overall bond portfolio. Fixed rate bonds have effective interest rates ranging between 1.2% and 4.7% (2009: 0.6% and 5.1%).

(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.

	2010					2009
	Remaining term to maturity					
	Within 1	1 to 5	6 to 10	Over 10	Total	Total
Federal	$ 3,105,112	$ 936,877	$ 1,837,277	$ 8,264,009	$ 14,143,275	$ 14,652,722
Provincial	48,110	18,263,356	19,808,233	40,783,478	78,903,177	74,273,326
	$ 3,153,222	$ 19,200,233	$ 21,645,510	$ 49,047,487	$ 93,046,452	$ 88,926,048

(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 2.8% (2009: 3.3%) was used to determine the liabilities as of December 31, 2010. 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 7.5 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:

	2010	2009
Liability, beginning of year	$ 86,214,505	$ 89,521,532
Interest on liabilities	2,811,000	2,752,000
Increase in liability due to new annuities	5,028,000	2,894,000
Annuities paid with interest	(7,895,000)	(7,919,000)
Mortality experience	363,209	162,973
Change in programming assumption	-	129,000
Change in interest rate	3,235,000	(1,326,000)
	3,542,209	(3,307,027)
Liability, end of year	$ 89,756,714	$ 86,214,505

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, 2010 and 2009, 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 $5,221,000 or if the interest rate decreases by 1.0%, the Provision for Annuity Benefits increases by $5,951,000.

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 $5.0 million and for the next ten years $9.5 million.

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 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 $134,369 (2009: $133,268) and at year end had $5,288 (2009: $1,407) in accounts payable with these related parties.

At December 31, 2010, the Plan has $4,222,588 (2009: $5,883,476) invested in Province of Saskatchewan bonds with varying maturity dates and interest rates. Interest income during the year was approximately $200,820 (2009: $377,942) and change in the market value of these bonds was approximately -$1,660,888 (2009: -$448,309).

8. Administrative Expenses

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

	2010	2009
Professional and consulting services	$ 816,379	$ 679,280
Salaries and benefits	777,895	784,211
Advertising and promotional	299,387	209,567
General administration	228,745	203,591
Information expense	174,461	184,958
Board expenses	45,569	31,692
Total Administrative Expenses	$ 2,342,436	$ 2,093,299
Allocated as Follows:		
Contribution fund	$ 1,925,572	$ 1,677,361
Annuity fund	416,864	415,938
	$ 2,342,436	$ 2,093,299

9. Lease Commitment

The Plan is committed to an operating lease for office space to January 31, 2012 with minimum annual lease payments of $103,067 due to a related party.