SASKATCHEWAN PENSION PLAN

2013 ANNUAL REPORT

Saskatchewan Pension Plan

Annual Report
for the year ending
December 31, 2013

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Saskatchewan Pension Plan
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Letters of transmittal

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

Your Honour:

I have the honour to submit the Annual Report of the Saskatchewan Pension Plan for the year ended December 31, 2013.

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, 2013.

Respectfully submitted,

SIGNED

Katherine Strutt
General Manager
Saskatchewan Pension Plan

Board of trustees' message

The Board of Saskatchewan Pension Plan (SPP) is the trustee of the fund. As fiduciaries, it is our responsibility to provide oversight to all areas of Plan administration.

Members choose to participate in SPP so they will be able to improve their financial situation in retirement. This individual desire reflects the corporate mission that the Board is committed to. Our governance structure allows us to give priority to providing strategic direction and long-term vision for the Plan. Investment performance is a key area of focus for the Trustees as we continue to hone the Statement of Investment Policies and Goals in order to create the best opportunity for fund growth within an acceptable risk tolerance threshold for our members.

During its quarterly meetings in 2013, the Board was able to build relationships with key stakeholders who will contribute to the future of SPP as we seek to continue growing this Plan. The Board acknowledges the support and loyalty shown by members who have taken the opportunity to contribute more to their accounts and to transfer funds from other RRSPs. We also know that there is a desire to do more. We continue to evaluate new pension product opportunities for SPP, specifically in the PRPP realm.

Investment markets were favourable in 2013 and SPP members benefitted from the investment strategies executed by our fund managers. This report provides a summary of the statement of investment policies and goals used to administer the funds members have entrusted to us. The financial statements reflect the sound financial position of the Plan.

As an organization, we made advances with respect to each of our corporate goals during the year. Our Board is highly motivated to continue its efforts to advance this organization and its position within the pension community and the province of Saskatchewan during the coming years.

Respectfully submitted,

SIGNED

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

General manager's message

This Plan, now finished its 28th year of operations, is the 27th largest defined contribution plan in Canada. While growth has sometimes felt slow, our steady-as-she-goes approach resonates with the public. Members continue to demonstrate their trust in this program, adding funds to their accounts through contributions and transfers in. In addition, employers see the ease of using SPP as a benefit for their employees and as a recruitment and retention tool in their places of business.

Plan operations are run out of the office in Kindersley. Our high standard of customer service contributes to the ongoing success of the organization. One of our organization's core values is respect; this value is wholly demonstrated to the members, new and existing, who choose to invest with us and to people who make inquiries about the Plan. This past year 1,415 new people joined the ranks of SPP members and 801 people chose to transfer funds from existing retirement savings to their SPP accounts. This resulted in a phenomenal year of growth for SPP both in terms of number of members and in assets under management.

The balanced fund returned 15.8 per cent to members in 2013 and the short-term fund return was 0.7 per cent.

As we continue to find new ways to raise awareness about SPP, we are encouraged by the growth figures from last year. We are looking forward to what is in store for the coming year. Increased awareness in the business community as PRPPs roll out will assist SPP with recruitment. In addition, strong marketing and referrals from existing customers will lead to a successful year in 2014.

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

Strategic direction

Saskatchewan Pension Plan (SPP) has a 28 year track record of providing members with a smart and affordable means to save for retirement. SPP is a fully funded capital accumulation plan created by the provincial government to provide supplementary income to individuals with little or no access to employer-sponsored pensions. The Plan's mission is "to grow through the provision of a superior investment opportunity that results in enhanced financial security at retirement."

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

This program, developed ahead of its time, is the model for the national pooled registered pension plan (PRPP). As the provinces seek to develop PRPP-like solutions, SPP continues its strategic assessment of this product to find a way to fit into this new class of pensions.

SPP as it exists in its current form is particularly beneficial for businesses that find existing pension options too expensive and too cumbersome to administer. The Plan will continue to focus on small businesses, especially those with fewer than 20 employees, and those who do not have access to private pension arrangements.

Goal 1: To improve SPP's competitive position

The Board is continuing its long-term plans to enhance the program by expanding the retirement options and considering some online services. SPP officials are continuing to update provisions so that the Plan can also accept funds from RPPs and so that SPP can provide PRPPs.

Goal 2: To increase SPP membership

New member growth was quite successful in 2013 as 1,415 people joined the Plan with an average age of 42.2 years.

Goal 3: To increase SPP assets

Contributions in 2013 totaled $23.4 million, 34.2 per cent ahead of 2012 levels. Contribution levels were strong during the year and members responded in record numbers to the opportunity to tranfer funds from existing RRSPs. Net assets under administration in the Contribution Fund (CF) were $267.6 million—balanced fund (BF) - $266.0 million and short-term fund (STF) - $1.6 million—and $97.1 million in the Annuity Fund (AF).

Goal 4: To optimize member satisfaction

One of the measures of member satisfaction is good service and competitive rates of return. The Board ensures the Plan is prudently and efficiently managed. This is reflected in an expense ratio of 1.0 per cent in the CF and 0.4 per cent in the AF. The social media initiative is intended to enhance member satisfaction by providing timely information about SPP and about financial planning and education in general.

Looking ahead

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

Plan operations

SPP is a voluntary, capital accumulation plan for people who want an easy way to accumulate funds for retirement. The Plan is available to people between 18 and 71 years of age. Eligibility is not dependent on residency or membership in other plans; participants must have unused RRSP room to contribute. SPP members are full-time employees, part-time employees, self-employed people, homemakers, farmers and students. At December 31, 2013, SPP had 32,920 members (2012: 32,301).

Member statistics

Member status	%
Active	68
Retired	32

Sex	%
Female	69
Male	31

Occupation	%
Homemaker	18
Farmer	8
Self-Employed	11
Full-time	33
Part-time	20
Student	6
Other	4

Age distribution	%
18-25	2
26-34	9
35-49	19
50-65	35
Over 65	35

New member profile

- 1,415 people joined SPP in 2013.
- 84 per cent identified themselves as full-time, part-time or self-employed.
- Average age of new members in 2013 was 42.2 years.

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

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

Features of SPP

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

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

Members and the public use the toll-free inquiry line, email and the website to contact SPP. In 2013 the inquiry centre responded to almost 15,000 inquiries. Web traffic increased by 41 per cent in 2013.

Contributing to SPP

The annual maximum contribution to SPP is $2,500, subject to the contributor's available RRSP room. There is no minimum contribution. Contributions are tax deductible by the member or their spouse within RRSP guidelines. During 2013, 11,965 members contributed to SPP with an average contribution of $1,449 (2012: 11,217; $1,332).

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

Transfers from other RRSPs and unlocked RPPs are accepted up to a maximum $10,000 per calendar year. In 2013, 801 members transferred $6.0 million (2012: 337; $2.5 million) into their SPP accounts.

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

Plan operations

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

The Statement of Investment Policies and Goals is summarized on pages 15-17. More information on the CF performance in 2013 is found in the Investment report section (page 11).

Business plans

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

Retiring from SPP

Plan members can choose to retire from SPP between the ages of 55 and 71. At the time of retirement, members may direct all or part of their account to purchase an annuity from SPP, transfer their account to a locked-in retirement account or prescribed registered retirement income fund with another financial institution, or a combination of the annuity and transfer options. SPP also offers a small pension payout option for members whose monthly benefit is less than the prescribed amount. In 2013, pensions under $21.29 per month qualified for this option.

Retired members

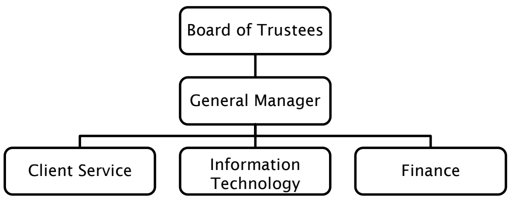
- 496 members retired in 2013.
- Average monthly pension for new retirees was $139.
- Highest monthly pension is $499.
- 10,876 members received a pension from SPP at the end of 2013.
- 206 members started a pension in 2013 at an average age of 67.2 years.
- 236 members transferred into other retirement income vehicles.
- 54 chose the small pension payout option.

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

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

Plan operations

Administration



SPP is administered by a Board of Trustees 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. Trustees for the period reviewed in this report were: Timothy Calibaba, Chairperson; Paul Jaspar; Gordon Meadows; Rodney Trayhorne; 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 Investor Services Trust, who holds all securities and cash in the funds and reports independently to the Board, thereby ensuring all funds are safeguarded; and
- a pension consultant, Aon Hewitt, Inc. who assists the Board in monitoring the performance of the investment managers.

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

SPP Board of Trustees*: Standing (L to R): Gordon Meadows, Maureen Wilson, Rodney Trayhorne ; Seated (L to R) Paul Jaspar and Timothy Calibaba*

Privacy

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

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

Investment report

Equity markets had an exceptional year in 2013 and this led to strong investment returns for our members. However, there was a wide range in performance from the various asset classes. The U.S. led equity market returns, boosted by the depreciation in the Canadian dollar, while returns in Canadian equities were impacted by slower global growth. As bond yields generally closed the year higher, this asset class experienced modestly negative returns, with longer duration bonds experiencing the most negative returns.

2013 Market returns	
S&P/TSX Composite Index	13.0%
S&P Index (C$)	41.3%
MSCI EAFE Index (C$)	31.0%
DEX Universe Bond Index	-1.2%

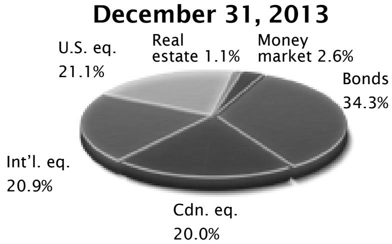
Contribution Fund – Balanced fund (BF) results

The market value of the BF increased from $218.3 million at the beginning of 2013 to $266.0 million at the end of 2013. This represents a return of 15.8 per cent after administration costs allocated to members' accounts at year end. The historic rates of return are shown in the table below. The fund is managed by Greystone Managed Investments Inc. of Regina and Leith Wheeler Investment Counsel of Vancouver.

SPP balanced fund return history	
2013	15.8%
5 year return	8.9%
10 year return	5.7%
Since inception (28 years)	8.1%

The BF is structured to provide long-term capital growth and holds a mixture of equities, fixed income and Canadian real estate investments. The chart below shows the BF mix at December 31, 2013.

Balanced fund portfolio at December 31, 2013



The following is a summary of the 2013 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 16.9 per cent compared to a benchmark of 14.0 per cent.

The top ten holdings, portfolio composition and returns are summarized in the accompanying tables.

Canadian Equities

Top 10 Canadian equity holdings in 2013	% of Portfolio		% of Portfolio
1. Toronto Dominion Bank	7.8	6. Saputo	2.7
2. Royal Bank of Canada	7.0	7. Canadian Tire	2.5
3. Bank of Nova Scotia	7.0	8. Canadian Natural Res	2.4
4. Canadian National Ralway	5.6	9. Toromont Ind	2.3
5. Manulife Financial Corp	4.5	10. Suncor Energy	2.2

The S&P/TSX Composite Index gained 13.0 per cent in 2013. All sectors were positive with the exception of Utilities and Materials. The top performing sectors included Health Care, Consumer Discretionary and Industrials. SPP's Canadian equity portfolio returned 22.4 per cent. Both managers had strong performance in this asset class with Greystone returning 19.6 per cent and Leith Wheeler returning 25 per cent. Leith's return was among the strongest Canadian equity strategies in 2013. The past year presented an opportunity for active managers to add value through sector bets as dispersion of returns between sectors was large. Over the year value stocks outperformed growth stocks and large cap stocks outperformed small cap stocks.

Investment report

The chart below shows the sector weighting of each portion of the SPP Canadian equity portfolio at December 31, 2013. Similar information is provided for all asset classes.

	S&P/TSX Weight (%)	Portfolio Weight (%)	Index Return (%)
Health care	3.0	2.5	72.2
Consumer discretionary	5.5	8.1	43.0
Industrials	7.9	12.3	37.6
Information technology	1.8	4.4	37.3
Consumer staples	3.1	4.6	23.8
Financials	35.3	36.2	23.6
SPP			**22.4**
Energy	24.8	21.5	13.8
Telecom services	4.9	-	13.1
S&P/TSX			**13.0**
Utilities	1.8	3.0	-4.5
Materials	11.9	7.2	-28.8
Other	-	0.2	-
Total	100.0	100.0	

U.S. Equities

Top 10 U. S. equity holdings in 2013	% of Portfolio		% of Portfolio
1. Wells Fargo	4.1	6. Gannett	2.3
2. Markel	3.2	7. Microsoft	2.3
3. Pfizer	2.7	8. Proctor & Gamble	2.1
4. 3M	2.5	9. Apple	2.0
5. Apache	2.4	10. Berkshire Hathaway	1.9

The S&P 500 Index returned 32.4 per cent in US$ in 2013 with the return increasing to 41.3 per cent in C$ as the Canadian dollar depreciated over the period. Every sector in the market rose by double digits, led by Consumer Discretionary, Health Care and Industrials. The three worst performing sectors were Energy, Utilities and Telecommunication Services.

SPP's U.S. equity portfolio returned 42.3 per cent in C$. Greystone returned 42.4 per cent and Leith Wheeler returned 41.1 per cent.

Growth stocks outperformed value stocks and small cap stocks outperformed large cap stocks in the year.

	S&P 500 Weight (%)	Portfolio Weight (%)	Index Return (C$) (%)
Consumer discretionary	12.5	11.1	52.8
Health care	13.0	13.3	50.7
Industrials	10.9	10.8	50.1
Financials	16.2	19.3	44.8
SPP			**42.3**
S&P 500			**41.3**
Information technology	18.6	15.9	37.3
Consumer staples	9.8	10.9	34.6
Materials	3.5	3.2	34.0
Energy	10.3	11.3	33.5
Utilities	2.9	3.7	20.8
Telecom services	2.3	-	19.1
Cash	-	.5	-
Total	100.0	100.0	

Non-North American Equities

Top 10 Non-North American equity holdings in 2013	% of Portfolio		% of Portfolio
1. Novartis	2.8	6. Carnival	1.6
2. Nestle	2.2	7. Toyota Motor	1.6
3. Adidas	1.8	8. Sembcorp Ind.	1.6
4. BG Group	1.8	9. Credit Suisse Group	1.5
5. Holcim Ltd, Joha	1.6	10. HSBC	1.5

The MSCI EAFE Index, which measures the returns of non-North American equities, returned 31.0 per cent (C$). The top sectors were Telecommunication Services, Consumer Discretionary and Health Care while the bottom sectors were Consumer Staples, Energy and Materials. All sectors rose by double digits.

SPP's non-North American (NNA) equity portfolio returned 26.4 per cent. Greystone's sub-advisor, Hansberger, returned 28.3 per cent and Leith Wheeler's sub-advisor, Sprucegrove, returned 25.6 per cent.

Investment report

The Canadian dollar weakened against most currencies in the final quarter of 2013, resulting in higher returns for domestic investors when converted to Canadian dollars.

	EAFE Weight (%)	Portfolio Weight (%)	Index Return (C$) (%)
Greece	0.1	-	91.2
Finland	0.9	0.1	58.1
Ireland	0.3	2.1	53.8
Spain	3.4	2.0	41.4
Germany	9.5	6.1	41.3
Netherlands	2.7	4.4	40.2
Belgium	1.2	0.5	37.5
Switzerland	8.9	12.4	36.2
France	10.0	4.7	36.1
Japan	20.9	16.9	35.8
Denmark	1.2	1.2	34.3
Sweden	3.2	0.7	33.8
MCSI EAFE			**31.0**
Italy	2.2	1.5	29.4
United Kingdom	21.9	21.9	28.7
SPP			**26.4**
Austria	0.3	-	22.0
Portugal	0.2	-	19.6
New Zealand	0.1	-	19.1
Israel	0.4	0.5	19.1
Hong Kong	2.8	4.0	18.4
Norway	0.8	1.1	17.6
Australia	7.5	2.0	11.3
Singapore	1.5	5.7	9.2
Luxembourg	-	-	7.7
Emerging markets	-	11.3	-
Cash	-	0.9	-
Total	100.0	100.0	

Fixed Income

	DEX UBI Weight (%)	Portfolio Weight (%)	Index Return (%)
Corporate	30.4	49.0	84.0
Cash	-	0.1	1.0
SPP			**-0.7**
DEX UBI			**-1.2**
Federal	38.4	19.7	-1.5
Provincial	29.5	28.9	-2.7
Municipal	1.7	2.2	-79.0
Total	100.0	99.9	

The DEX Universe Bond Index, which measures the Canadian Bond market returns, lost 1.2 per cent in the year. The money market continues its pattern of low returns as the Bank of Canada left the Bank Rate unchanged. The corporate sector was the best performer in the year with real return bonds suffering large negative returns. With rates continuing to rise across the yield curve, performance was directly proportional to maturity. The best performing maturity for the year was the Short Term Index.

SPP's Fixed Income portfolio returned -0.7 per cent. Greystone returned -1.0 per cent and Leith Wheeler returned -0.4 per cent.

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 1.0 per cent. The STF benchmark was 1.0 per cent and the fund returned, before administration expenses, 1.1 per cent. The return after administration expenses was 0.7 per cent.

Investment report

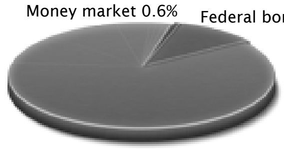
Annuity Fund

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, 2013 were $97.1 million and there was an actuarial surplus of $8.1 million at that same date.

Bond interest rates remained low throughout the year and therefore annuity rates were also low, ranging between 2.6 per cent and 3.5 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, 2013.

Annuity fund portfolio at December 31, 2013



Investment policy summary

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

The Board of Trustees establishes the Statement of Investment Policies and Goals (SIP&G), reviews investment performance quarterly and reviews the policy annually. For 2013, the review took place December 13, 2012 and changes came into effect January 1, 2013. 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 BF and the STF.

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

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

Investment policy summary

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 has implemented strategies to mitigate 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.

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. To achieve the long-term investment goal, the BF has adopted an asset mix that has a slight bias to equity investments as shown in the table below. A balanced fund management structure has been adopted, consisting of two active balanced managers with offsetting management styles. 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	Long-term Benchmark	Actual
Equities					
Canadian	14	24	19	19	20
U.S.	13	23	18	18	21
Non-North American	13	23	18	18	21
Total equities	**40**	**65**	**55**	**55**	**62**
Real estate	**0**	**15**	**0**	**10**	**1**
Fixed income					
Bonds & mortgages	25	45	42	32	34
Short term	0	10	3	3	3
Total Fixed income	**25**	**55**	**45**	**35**	**37**
Total fund			100	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. The benchmark portfolio uses the following indices to measure performance:

Investment policy summary

- Canadian equities: S&P/TSX Capped Composite Index;
- U.S. equities: S&P 500 Index (Cdn $);
- Real Estate: Investment Property Data Bank;
- Non-North American equities: MSCI EAFE Index (Cdn $);
- 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 BF's long term investment goal is to achieve a minimum annualized rate of return of three per cent in excess of the Canadian Consumer Price Index assessed over annualized rolling four-year periods. The STF's long-term investment goal is to preserve capital over the short term and to earn a rate of return competitive with other money market funds.

Annuity fund

The AF holds assets 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 annuity 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 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 annuity obligation annually based on economic and demographic assumptions. Each year, the Board and management monitor the validity of assumptions against actual experience and update periodically.

Asset mix

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

Performance measurement

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

Actuaries' opinion

Aon Hewitt Inc. was retained by the Saskatchewan Pension Plan (the Plan) to perform actuarial valuations of the assets and liabilities of the Saskatchewan Pension Plan on a funding basis as at December 31, 2013. 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, 2013; and
- Assumptions about future events (economic and demographic) which were developed by Aon Hewitt Inc.

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

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

SIGNED

Donald L. Ireland
Fellow, Canadian Institute of Actuaries

February 26, 2014

Management's responsibility for financial reporting

The financial statements of the Saskatchewan Pension Plan, and all information in this annual report, have been prepared by Plan management which is responsible for the reliability, integrity and objectivity of the information provided. The statements have been prepared in accordance with Canadian accounting standards 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 LLP, in accordance with Canadian generally accepted auditing standards, on behalf of the Members of the Legislative Assembly of Saskatchewan.

SIGNED	SIGNED
Katherine Strutt	Donna Eon
General Manager	Manager of Finance

February 26, 2014

Independent auditor's report

To the Members of the Legislative Assembly of Saskatchewan:

We have audited the accompanying financial statements of the Saskatchewan Pension Plan, which comprise the statement of financial position as at December 31, 2013, and the statement of changes in net assets available for benefits and the statement of changes in the provision for annuity obligation for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Saskatchewan Pension Plan as at December 31, 2013, and the changes in its net assets available for benefits and changes in its annuity obligation for the year then ended in accordance with Canadian accounting standards for pension plans.

SIGNED

Chartered Accountants
Regina, Saskatchewan

February 26, 2014

Statement of financial position

as at ($ thousands)

	Dec 31, 2013			Dec 31, 2012		
	Contribution Fund	Annuity Fund	Total	Contribution Fund	Annuity Fund	Total
ASSETS						
Investments (Notes 3 and 4)	$ 264,545	$ 96,558	$ 361,103	$ 218,147	$ 101,528	$ 319,675
Cash	1,004	80	1,084	785	190	975
Accrued investment income	1,400	747	2,147	525	815	1,340
Prepaid (deferred) retirement transfers	924	(924)	-	614	(614)	-
Prepaid annuity benefits	-	687	687	-	675	675
Equipment (Note 11)	64	11	75	-	-	-
Total assets	267,937	97,159	365,096	220,071	102,594	322,665
LIABILITIES						
Administrative expenses payable	228	36	264	196	70	266
Death and other benefits payable	152	28	180	92	30	122
Deferred member contributions	4	-	4	3	-	3
Total liabilities	384	64	448	291	100	391
NET ASSETS AVAILABLE FOR BENEFITS	267,553	97,095	364,648	219,780	102,494	322,274
Accrued obligation (Note 5)	267,553	89,039	356,592	219,780	94,716	314,496
SURPLUS	$ -	$ 8,056	$ 8,056	$ -	$ 7,778	$ 7,778

ON BEHALF OF THE TRUSTEES:

SIGNED

Timothy C. Calibaba, ICD.D

SIGNED

Paul Jaspar, FCA

(See Accompanying Notes)

Statement of changes in net assets available for benefits

for the year ended ($ thousands)

	Dec 31, 2013			Dec 31, 2012		
	Contribution Fund	Annuity Fund	Total	Contribution Fund	Annuity Fund	Total
INCREASE IN ASSETS						
Investment income						
Interest and other income	$ 2,406	$ 4,269	$ 6,675	$ 1,693	$ 4,390	$ 6,083
Dividends	1,602	-	1,602	1,407	-	1,407
Pooled funds	4,377	-	4,377	2,565	-	2,565
	8,385	4,269	12,654	5,665	4,390	10,055
Change in fair value of investments	29,621	(6,258)	23,363	13,287	(1,011)	12,276
Contributions	23,438	-	23,438	17,462	-	17,462
Transfers from Contribution Fund	-	5,563	5,563	-	4,427	4,427
	61,444	3,574	65,018	36,414	7,806	44,220
DECREASE IN ASSETS						
Annuities to pensioners	-	8,130	8,130	-	8,028	8,028
Administrative expenses (Note 8)	2,436	423	2,859	2,231	452	2,683
Transfers to other plans	5,177	-	5,177	5,178	-	5,178
Transfers to Annuity Fund	5,563	-	5,563	4,427	-	4,427
Deaths and other benefits	495	420	915	460	532	992
	13,671	8,973	22,644	12,296	9,012	21,308
Change in net assets	47,773	(5,399)	42,374	24,118	(1,206)	22,912
NET ASSETS AVAILABLE FOR BENEFITS BEGINNING OF YEAR	219,780	102,494	322,274	195,662	103,700	299,362
NET ASSETS AVAILABLE FOR BENEFITS END OF YEAR	$ 267,553	$ 97,095	$ 364,648	$ 219,780	$ 102,494	$ 322,274

(See Accompanying Notes)

Statement of changes in provision for annuity obligation

for the year ended ($ thousands)

	Dec 31, 2013	Dec 31, 2012
PROVISION FOR ANNUITY OBLIGATION, BEGINNING OF YEAR	$ 94,716	$ 97,127
INCREASE IN PROVISION FOR ANNUITY OBLIGATION		
Interest on liabilities	2,065	1,845
Liability due to new annuities	5,922	4,637
Mortality experience	64	256
Change in mortality assumption	-	1,369
	8,051	8,107
DECREASE IN PROVISION FOR ANNUITY OBLIGATION		
Change in interest rate assumption	5,403	2,230
Annuities paid with interest	8,325	8,288
	13,728	10,518
Net decrease in provision for annuity obligation	(5,677)	(2,411)
PROVISION FOR ANNUITY OBLIGATION, END OF YEAR	$ 89,039	$ 94,716

(See Accompanying Notes)

Notes to the financial statements

for the year ended December 31, 2013

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. Members of SPP have the option to invest in the BF, the STF or a combination of both.

Annuity Fund (AF)

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

(c) Contributions

Participation in the CF is voluntary and members can contribute a maximum of $2,500 for each plan year. Members may also transfer $10,000 annually from an RRSP 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 specified pension 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 2013, the prescribed amount was $21.29 (2012: $20.88).

Notes to the financial statements

for the year ended December 31, 2013

2. Significant Accounting Policies

(a) Basis of presentation

The financial statements for the year ended December 31, 2013 have been prepared in accordance with Canadian accounting standards for pension plans as outlined in the CPA Handbook, Section 4600, Pension Plans. For matters not addressed in Section 4600, IFRS (International Financial Reporting Standards) have been followed. These financial statements are presented in the Plan's functional currency, Canadian Dollars. The financial statements were authorized and issued by the Board of Trustees on February 26, 2014.

(b) Investment transaction and income recognition

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

(c) Valuation of investments

Investments are stated at fair value through profit and loss and are classified as held for trading. The fair value of investments 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, when available. When quoted market prices in an active market are not available, the fair value is based on a valuation technique, being the present value of the principal and interest receivable discounted at appropriate market interest rates.

(iii) Equities are valued at 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 pooled fund is valued using market values from independent appraisals.

(d) Foreign currency translation

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

(e) Fair value

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.

(f) Equipment

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

(g) Use of estimates and judgements

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

(h) Future accounting changes

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2013 and have not been applied in preparing these financial statements. IFRS 9, Financial Instruments will be mandatory for the Plan's financial statements, however an effective date has not yet been determined. The extent of the impact on adoption of this standard is not known at this time, but is not expected to be material.

(i) Adoption of new standard

The Plan has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that piece is directly observable or estimated using another valuation technique. The application of IFRS 13 has not had any material impact on the amounts recognized in the financial statements.

3. Contribution Fund Investments

(a) Investments

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

($ thousands)	2013	2012
Bonds and bond pooled fund		
Federal	$ 15,320	$ 17,270
Provincial	19,079	18,767
Municipal	1,655	2,035
Corporate	29,771	25,843
Leith Wheeler Core Active Bond fund	24,502	20,803
	90,327	84,718
Equities and equity pooled funds		
Canadian equities	50,285	42,223
Leith Wheeler Special Canadian Equity fund	2,281	2,133
United States equities	27,161	20,088
Leith Wheeler US Equity pooled fund	28,301	21,497
Leith Wheeler International Equity fund	27,745	20,802
Greystone EAFE Growth fund	27,285	20,605
	163,058	127,348
Other		
Money market	6,669	4,610
Greystone Real Estate pooled fund	2,959	-
Greystone Money Market fund	1,532	1,471
	11,160	6,081
Total CF Investments	$ 264,545	$ 218,147

Bonds and bond pooled funds

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

Equities and equity pooled funds

Equity holdings are made directly or through pooled funds. No one holding of an individual stock may represent more than 10% of the market value of the equity portfolio or more than 10% of the 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 Growth 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.

(b) Fair value measurements

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

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

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

($ thousands)	2013			
	Level 1	Level 2	Level 3	Total
Money Market	$ -	$ 8,201	$ -	$ 8,201
Bonds & bond pooled fund	-	90,327	-	90,327
Equities & equity pooled fund	135,773	27,285		163,058
Real Estate pooled fund	-	-	2,959	2,959
	$ 135,773	$ 125,813	$ 2,959	$ 264,545

($ thousands)	2012			
	Level 1	Level 2	Level 3	Total
Money Market	$ -	$ 6,081	$ -	$ 6,081
Bonds & bond pooled fund	-	84,718	-	84,718
Equities & equity pooled fund	106,743	20,605	-	127,348
	$ 106,743	$ 111,404	$ -	$ 218,147

The following is a reconciliation of the level 3 fair value measurements from December 31, 2012 to December 31, 2013.

($ thousands)

	Real Estate pooled fund	Total
Balance at December 31, 2012	$ -	$ -
Purchases	2,871	2,871
Sales	-	-
Gains (losses)		
Realized	-	-
Unrealized	88	88
Balance at December 31, 2013	$ 2,959	$ 2,959

(c) Financial risk management

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

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

(i) Credit risk

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

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

($ thousands)	2013	2012
Accrued interest income	$ 429	$ 368
Money market	8,201	6,081
Bonds and bond pooled fund	90,327	84,718
	$ 98,957	$ 91,167

At year end 13.9% of the bonds of the CF were rated as BBB (2012: 9.5%) and all other bonds were rated higher. Other than the Government of Canada, no single issuer represents more than 10.8% (2012: 8.3%) of the overall bond portfolio. Fixed rate bonds have effective interest rates ranging between 0.2% and 5.9% (2012: 0.8% and 5.9%) and coupon rates ranging between 0.8% and 11.8% (2012: 0.8% and 11.2%).

(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 currency risk, interest rate risk and equity price risk. Significant volatility in interest rates, equity values and the value of the Canadian dollar against the currencies in which the Plan's investments are held can impact the value of the Plan's investments.

Foreign currency risk

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 CF's foreign currency exposure at December 31 is as follows:

Currency *($ thousands)*	2013	2012
United States dollar	$ 55,462	$ 41,585
British sterling	12,374	9,303
Euro	10,129	8,085
Japanese yen	9,319	6,940
Swiss franc	7,269	5,026
Emerging market currencies	6,752	4,478
Singapore dollar	3,079	2,122
Other	2,800	2,372
Hong Kong dollar	2,087	1,589
Australian dollar	1,221	1,492
	$ 110,492	$ 82,992

Interest rate risk

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

The CF holds approximately 37.2% (2012: 41.6%) of its investments in fixed income securities, 1.1% in real estate (2012: 0.0%) and 61.7% (2012: 58.4%) in equities at December 31, 2013. As of December 31, 2013, a 1.0% increase in nominal interest rates (all else being equal) would result in a decline in the fair market value of bonds of 6.1% (2012: 6.0%).

The terms to maturity are summarized in the table below:

($ thousands)	2013				
	Within 1 year	1 to 5 years	6 to 10 years	Over 10 years	Total
Federal	$ 1,573	$ 6,372	$ 4,086	$ 3,289	$ 15,320
Provincial	-	363	8,381	10,335	19,079
Municipal	-	1,240	125	290	1,655
Corporate	650	17,677	6,648	4,796	29,771
	$ 2,223	$ 25,652	$ 19,240	$ 18,710	$ 65,825

($ thousands)	2012				
	Within 1 year	1 to 5 years	6 to 10 years	Over 10 years	Total
Federal	$ -	$ 12,267	$ 2,010	$ 2,993	$ 17,270
Provincial	-	1,349	6,705	10,713	18,767
Municipal	-	661	1,209	165	2,035
Corporate	1,317	13,027	6,667	4,832	25,843
	$ 1,317	$ 27,304	$ 16,591	$ 18,703	$ 63,915

Equity price risk

Equity 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 CF 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 CF investment performance before administration expenses:

	Annual Return		Rolling Four Year Return	
	2013	2012	2013	2012
Portfolio return	16.9%	9.6%	9.1%	8.3%
Benchmark return	14.0%	8.4%	8.1%	7.7%

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 AF investments consist of the following:

($ thousands)		2013		2012
Bonds				
Federal	$	11,127	$	12,072
Provincial		84,808		89,187
		95,935		101,259
Other				
Money market		623		269
Total AF Investments	$	96,558	$	101,528

Bonds

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

Money market

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

(b) Fair value measurements

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

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

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

($ thousands)	2013			
	Level 1	Level 2	Level 3	Total
Money market	$ -	$ 623	$ -	$ 623
Bonds	-	95,935	-	95,935
	$ -	$ 96,558	$ -	$ 96,558

($ thousands)	2012			
	Level 1	Level 2	Level 3	Total
Money market	$ -	$ 269	$ -	$ 269
Bonds	-	101,259	-	101,259
	$ -	$ 101,528	$ -	$ 101,528

(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 CF to the AF are used to purchase long-term bonds. The combined duration of the bonds purchased is matched to the duration of the annuities purchased from the AF. Under the policy of the Plan such bonds are generally held to maturity.

(i) Credit risk

Credit risk arises from the potential for issuers of securities to default on their contractual obligation to the AF. The Plan limits credit risk through quality, quantity and diversification guidelines set out in the Investment Policy and by monitoring compliance to those guidelines. At December 31, 2013 the Fund's maximum credit risk exposure relates to bonds, accrued income and short-term investments totaling $97,304,889 (2012: $102,343,218). At year end the AF held no bonds with a BBB rating. Other than the Government of Canada, no single issuer represents more than 22.4% (2012: 21.6%) of the overall bond portfolio. Fixed rate bonds have effective interest rates ranging between 1.1% and 4.4% (2012: 1.1% and 3.7%).

(ii) Market risk

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

Interest rate risk

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

The terms to maturity are summarized in the table below:

($ thousands)	2013				
	Within 1 year	1 to 5 years	6 to 10 years	Over 10 years	Total
Federal	$ 51	$ 2,144	$ 3,685	$ 5,247	$ 11,127
Provincial	3,901	18,955	24,659	37,293	84,808
	$ 3,952	$ 21,099	$ 28,344	$ 42,540	$ 95,935

($ thousands)	2012				
	Within 1 year	1 to 5 years	6 to 10 years	Over 10 years	Total
Federal	$ -	$ 2,031	$ 4,131	$ 5,910	$ 12,072
Provincial	3,878	18,446	24,738	42,125	89,187
	$ 3,878	$ 20,477	$ 28,869	$ 48,035	$ 101,259

(iii) Liquidity risk

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

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

5. Provision for annuity obligations

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

The valuation method used to calculate the basic pension liability of retired members was the single premium actuarial cost method. An interest rate of 2.92% (2012: 2.18%) was used to determine the liabilities as of December 31, 2013. The UP94 Mortality table rates projected to 2040 were used for actuarial valuation. The duration of annuity payments is 7.3 years.

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

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

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

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

Further, subsection 7(3.2) of the Act requires any amount by which the liabilities of the AF exceeds the assets of the AF to be a charge on and payable from the General Revenue Fund of the Province of Saskatchewan. At December 31, 2013 the AF was in a surplus position.

Actual results may vary from the assumptions used. If the interest rate used increases by 1.0%, the Provision for Annuity Benefits decreases by $5,069,000 or if the interest rate decreases by 1.0%, the Provision for annuity obligation increases by $5,759,000.

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 $4.5 million and for the next ten years $12.7 million.

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

6. Earnings allocation to members

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

7. Related party transactions

The Plan conducts a portion of its transactions with Saskatchewan Crown-controlled agencies, ministries and corporations. These transactions are at the agreed upon exchange rates and are settled on normal trade terms. During the year, the Plan incurred operating expenses of approximately $228,473 (2012: $170,678) and at year end had $18,420 (2012: $15,188) in accounts payable with these related parties.

At December 31, 2013, the Plan has $4,524,681 (2012: $4,470,806) invested in Province of Saskatchewan bonds with varying maturity dates and interest rates. Interest income during the year was approximately $207,529 (2012: $184,714) and change in the market value of these bonds was approximately $53,875 (2012: $108,254).

8. Administrative expenses

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

($ thousands)	2013	2012
Professional and consulting services	$ 1,023	$ 970
Salaries and benefits	885	864
Advertising and promotional	429	348
General administration	273	266
Information expense	188	183
Board expenses	61	52
Total Administrative Expenses	$ 2,859	$ 2,683
Allocated as Follows:		
Contribution fund	$ 2,436	$ 2,231
Annuity fund	423	452
	$ 2,859	$ 2,683

9. Compensation of key management personnel

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

($ thousands)	2013	2012
Short-term employee benefits	$ 159	$ 151
Post-employment retirement benefits	8	8
	$ 167	$ 159

10. Lease commitment

The Plan is committed to an operating lease for office space to January 31, 2015 with minimum monthly lease payments of $10,169 due to a related party.

11. Equipment

Equipment at cost less accumulated amortization:

($ thousands)	Cost	Accumulated amortization	2013 Net book value	2012 Net book value
Computer equipment	$ 84	$ 9	$ 75	$ -

12. Comparative Figures

Certain comparative figures have been restated to conform to the financial statement presentation adopted in the current year.

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