

# 2021 ANNUAL REPORT



**SASKATCHEWAN  
PENSION PLAN**

# **SASKATCHEWAN PENSION PLAN**

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**ANNUAL REPORT  
FOR THE YEAR ENDING  
DECEMBER 31, 2021**



# TABLE OF CONTENTS

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Letters of transmittal.....5

Board of trustees' message .....6

Executive Director's message.....8

Corporate philosophy .....9

Strategic direction .....10

Plan operations..... 11

Investment report..... 14

Investment policy summary ..... 18

2021 Financial statements:

    Actuaries' opinion ..... 21

    Management's responsibility for financial reporting..... 21

    Auditors' report ..... 22

    Statement of financial position..... 24

    Statement of changes in net assets available for benefits..... 25

    Statement of changes in provision for annuity obligations ..... 26

    Notes to the financial statements ..... 27

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## LETTERS OF TRANSMITTAL

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His Honour  
The Honourable Russell Mirasty, M.S.M, S.O.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, 2021.

Respectfully submitted,

A handwritten signature in cursive script that reads "Donna Harpauer".

Donna Harpauer  
Minister Responsible  
Saskatchewan Pension Plan



The Honourable Donna Harpauer  
Minister Responsible  
Saskatchewan Pension Plan

Madam:

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, 2021.

Respectfully submitted,

A handwritten signature in cursive script that reads "Shannan Corey".

Shannan Corey, B.Sc., CPHR  
Executive Director  
Saskatchewan Pension Plan

## BOARD OF TRUSTEES' MESSAGE

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On behalf of the Saskatchewan Pension Plan (SPP) Board of Trustees (the Board), it is my honour to submit this annual report for 2021.

SPP was created to help give everyone access to a pension plan. We believe that is still the case today and is evident in the mission and vision for the Plan.

The Board continues to focus on having the balanced fund (BF) well diversified by investing globally in various asset classes from equities and bonds to real estate and infrastructure. Our goal is to maintain above average performance with lower than average volatility. The Board monitored investment performance regularly during the year. Professional investment management and fiduciary oversight provides reassurance to members regardless of market performance.

SPP sorts through the complexities of various investment options and offers an easy to use product with low fees and competitive returns. The BF returned 11.53 per cent in 2021 while the diversified income fund (DIF) returned -0.97 per cent. I am pleased to report the management expense ratio (MER) for the BF was 92 bps and for the DIF it was 89 bps.

The BF has a long-term focus to provide growth and safety for members. The DIF provides members with an option that offers low risk returns through

investing in diversified sources of income. This a low risk investment option, not “no” risk, and is suitable for members nearing or in retirement.

To protect member investments in the Fund, the Board has carefully developed an investment policy and is confident in its ability to produce strong results for members. Investment managers invest for the long term and navigate short-term volatility by looking for sustainable performance.

As Trustees, we recognize the confidence placed in us each time a member makes the decision to contribute, transfer funds or receive retirement income from SPP. This fiduciary position elevates the Board's sensitivity to each aspect of administration oversight.

The governance model adopted by SPP ensures sound and thorough scrutiny of all aspects of Plan operations. In this way, Plan values of integrity and accountability extend throughout the organization from members to management to the Trustees. The strategic direction provided by the Board provides management with the structure it needs to execute Plan operations and to achieve goals set by the Board.

Early in the year, the Board launched a variable benefit (VB) product to enhance its suite of retirement products. While only available to Saskatchewan residents at this time, this addition is a significant enhancement for members.

It was a year of change and transition for trustees and senior leadership at SPP. I extend sincere appreciation to Gordon Meadows who retired from the Board this year. Following his retirement, we increased the Board from five members to six. We are pleased to add the expertise of Rene Benoit, a CFA with corporate director (ICD.D) credentials and Barbara Shourounis, a lawyer and former Securities Division director with the Saskatchewan securities regulator (FCAA), to our Board table. The Board's combined depth and experience enhances the expert administrative and investment oversight for Plan members.

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I also wish to thank Katherine Strutt for over 30 years of service to SPP. Katherine's management and administration, on behalf of the Board, achieved growth of the fund and many enhancements to member experience. Congratulations to her on her retirement from SPP and from public service this year. Shannan Corey, the Plan's new Executive Director, brings a wealth of experience in actuarial science, pensions and human resources to the organization. We look forward to her leadership at SPP.

The Board will continue to pursue innovations that allow member needs to be addressed during accumulation and decumulation phases of their relationship with the Plan.

Respectfully submitted,

A handwritten signature in black ink, reading "Timothy Calibaba". The signature is fluid and cursive, with the first name "Timothy" and last name "Calibaba" clearly distinguishable.

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



## EXECUTIVE DIRECTOR'S MESSAGE

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I am pleased to present management's perspective for this 2021 annual report of Saskatchewan Pension Plan (SPP) operations.

Change defined the year under review for SPP. Katherine Strutt who served SPP members for over 30 years, 29 of which were in the capacity of Executive Director retired from SPP and from the public service in 2021. I am humbled to step into this role and to carry on the vision and mission of SPP.

The Plan launched its long-awaited variable benefit option for Saskatchewan residents. We are proud of the opportunity this new retirement product provides to members and that it allows us to continue our relationship with even more members into retirement.

Members continue to benefit from in-house financial planning expertise as they make their SPP retirement decisions. Online member access continues to add value to the member experience at SPP. This portal opens many opportunities for new ways to serve members with efficiency and ease and is the focus for member service enhancements for the future.

I want to commend the operations staff at SPP for their commitment to serving members in a professional and safe manner during the continued pandemic related circumstances this year. Their ability to remain focused on their work during a time when the distractions were plentiful is noteworthy.

As a customer focused organization, we are sensitive to needs and requests members have for policy and operational enhancements. It is important that we balance these requests with the necessity to keep fees low. Activity in our satellite office in Saskatoon continues to gain momentum. Open on a part-time basis, the office supports development of our business plans and serves individual members in the area who wish to have in-person contact.

As Executive Director, the Board of Trustees delegates day-to-day operations of the Plan to me and sets out a series of strategic goals. This report is filled with statistics and financial information on the progress toward meeting those goals in 2021. Our balanced fund (BF) return was 11.53 percent and our diversified income fund (DIF) return was -0.97 per cent.

SPP meets a need for people who wish to grow their retirement savings with a professionally managed, easy-to-use product. The maximum contribution moved to \$6,600 for 2021 with annual indexing to the year's maximum pensionable earnings (YMPE).

As administrators, balance is often the theme of our work. We constantly seek to balance the wishes of members, the strategic goals set by Trustees and the legislative framework of our operations. At the end of each day, our purpose at SPP is to offer superior service to our members and a product that people value.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Shannan Corey'.

Shannan Corey, B.Sc., CPHR  
Executive Director  
Saskatchewan Pension Plan

## CORPORATE PHILOSOPHY

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### OUR MISSION

The Saskatchewan Pension Plan will provide a superior investment opportunity to enhance financial security at retirement.

### OUR VISION

The trusted pension plan.

### OUR VALUES

#### RESPECT

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

#### INTEGRITY

- Behaving in a consistent manner, 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

- Following through on commitments, agreements and promises
- Openly sharing relevant information

## STRATEGIC DIRECTION

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

SPP is a Saskatchewan success story that is not replicated by any other country or province. The Canadian retirement income system is often viewed as having three pillars: universal government benefits (Old Age Security), Canada Pension Plan (CPP), employment pension plans and individual retirement savings. SPP is part of the individually funded plans or third pillar of retirement savings.

The Board strategically directs the administration of SPP. Typically a large portion of asset growth comes from increased value of investments; however, investment climates sometimes make this challenging. The expense ratio is affected by economies of scale and by operational expenditure decisions.

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

The following corporate goals defined plan operations during the year under review.

### GOAL 1: TO IMPROVE SPP'S COMPETITIVE POSITION

The maximum annual contribution is indexed to the YMPE and in 2021 was \$6,600. A variable benefit (VB) product launched for members in Saskatchewan during the year.

### GOAL 2: TO INCREASE SPP MEMBERSHIP

The 836 new members who joined SPP in 2021 had an average age of 39.8 years.

### GOAL 3: TO INCREASE SPP ASSETS

Contributions in 2021 totaled \$29.1 million. Net assets under administration in the Contribution Fund (CF) were \$604.6 million: Balanced Fund (BF) \$597.1 million and Diversified Income Fund (DIF) \$7.5 million. The Annuity Fund (AF) manages \$126.1 million.

### GOAL 4: TO OPTIMIZE MEMBER SATISFACTION

One of the measures of member satisfaction is superior service and competitive rates of return. The Board ensures the Plan is prudently and efficiently managed. This is reflected in a BF MER of 92 bps and a DIF MER of 89 bps. The MER for the AF was 41 bps.

Online member access and social media initiatives are intended to enhance member satisfaction by providing timely access to information about participant accounts and about SPP, financial planning and education. Member engagement in these tools is strong.

### LOOKING AHEAD

The continued success of the Plan depends on its ability to meet member expectations in both service and products. SPP strives to be the pension plan of choice for individuals and for businesses and their employees.

## PLAN OPERATIONS

SPP is a voluntary, capital accumulation plan for people who want access to a professionally managed, low cost option to grow funds for retirement. The Plan is available to people between 18 and 71 years of age. 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, 2021, SPP had 32,409 members (2020: 32,613).

### NEW MEMBER PROFILE

- 836 people joined SPP in 2021.
- 87 per cent identified themselves as full-time, part-time or self-employed.
- Average age of new members in 2021 was 39.8 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](http://saskpension.com); visiting SPP's blog at [savewithSPP.com](http://savewithSPP.com);
- calling the toll-free line at 1-800-667-7153; or
- e-mailing the Plan at: [info@saskpension.com](mailto:info@saskpension.com).

### FEATURES OF SPP

The Plan is flexible 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;
- Business pension option; and
- Several retirement options.

Members and the public use the toll-free inquiry line, email and the website to contact SPP. In 2021 the inquiry centre responded to almost 17,000 inquiries.

### MEMBER STATISTICS

Member status	%	Occupation	%	Age distribution	%
Active	73	Homemaker	11	18-25	2
Retired	27	Farmer	6	26-34	8
		Self-Employed	10	35-49	25
		Full-time	45	50-65	32
		Part-time	17	Over 65	33
		Student	7		
		Other	4		

Sex	%
Female	64
Male	36

### CONTRIBUTING TO SPP

Non-retired members can contribute up to the maximum allowable limit, subject to their available RRSP room. The maximum annual contribution to SPP in 2021 was \$6,600. The annual maximum contribution is indexed to the YMPE and changes on January 1 each year. There is no minimum contribution. Contributions are tax deductible by the member or their spouse within RRSP guidelines. During 2021, 11,423 members contributed to SPP with an average contribution of \$2,551 (2020: 11,491; \$2,360).

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 online banking service available at their financial institutions; or contribute, in person, at financial institutions.

Transfers from other RRSPs and unlocked RPPs are accepted up to a maximum of \$10,000 per calendar year for non-retired and VB members. In 2021, 947 members transferred \$7.2 million (2020: 790; \$6.3 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 garnished in any way except in the event of a court order under a marital division or Enforcement of Maintenance Order.

## PLAN OPERATIONS

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Assets of members who have not yet retired and for those receiving the VB are held in the CF. Contributing and VB members may choose between a BF and DIF for investment. The BF is actively managed and contains bonds, mortgages, equities, real estate, infrastructure and money market investments. The purpose of the BF is to provide members with long-term growth. The DIF contains Canadian bonds, mortgages and money market instruments; it is designed to provide lower-risk returns by investing in diversified sources of income.

The Statement of Investment Policies and Goals is summarized on pages 18-20. More information on the CF performance in 2021 is found in the Investment report section (page 14-17).

### 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, receive income from SPP's VB, 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 2021, pensions under \$25.67 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.

### RETIRED MEMBERS

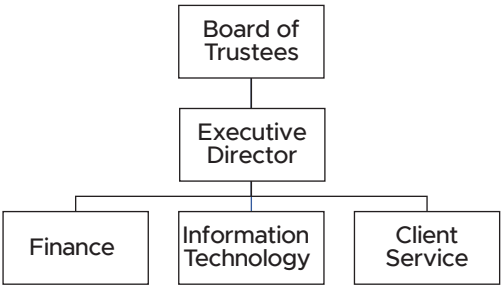
- 849 members retired with an average age of 66.7 years.
- 123 members started an SPP annuity.
- Average monthly SPP annuity for new retirees was \$236.
- Highest monthly SPP annuity is \$879.
- Oldest retiree receiving payments is 99.
- 8,637 members received an annuity from SPP at year-end.
- 292 members elected to receive income from the VB product.
- 294 members transferred into other retirement income vehicles.
- 140 chose the small pension payout option.

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.

The VB is a retirement income option with no maximum withdrawal restriction and the option to withdraw part or all of the balance at any time. VB provides control over how much retirement income is withdrawn and when the withdrawals occur throughout the year. Members have the choice of how the money is invested within the Plan: the BF and/or the DIF. In this way, retirees can continue to receive the low fees while the investment continues to grow on a tax-sheltered basis.



# PLAN OPERATIONS



## ADMINISTRATION

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

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

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

- professional money managers, TD Asset Management and Leith Wheeler Investment Counsel Ltd., who are responsible for investing member funds according to the Board's investment policies;
- a custodian, RBC Investor and Treasury Services, who holds all securities and cash in the funds and reports independently to the Board, thereby ensuring all funds are safeguarded;
- a pension consultant, George & Bell, who assists the Board in monitoring the performance of the investment managers; and
- an actuarial consultant, Aon Inc., who performs the annual actuarial valuation which assists the Board with monitoring the AF performance.



**SPP Board of Trustees:** Back row (L to R): Kimberly Enge, Paul Jaspar and Rene Benoit. Front row (L to R): Timothy Calibaba, Rodney Trayhorne, and Barbara Shourounis.

Administrative expenses are paid from Plan earnings. 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 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

We entered 2021 optimistic, but we would not have predicted just how strong a year it turned out to be. The performance of North American equity markets has been impressive, driven by the strength and resilience of the U.S. and Canadian economies. As a result, the S&P 500 and the S&P/TSX composite were up over 20 per cent at the end of 2021 in Canadian dollar terms. International markets also had a good year with the MSCI EAFE index returning 10.3 per cent (C\$). Fixed income returns were negative although rebounded late in the year performing better than the broad bond market. An environment of low-interest rates and aggressive government support benefited individuals and corporations. This helped ease some of the pressures experienced during the ongoing global health crisis.

The fourth quarter of 2021 ushered in a period of high inflation and anticipated monetary policy action. It became clear that the pandemic impacted supply and demand. In 2020 we had shutdowns and stimulus cheques. 2021 brought increased spending, a boost to demand and disrupted supply chains. This supply/demand imbalance was a shock to inflation. As the economy rallied, leading central banks became increasingly hawkish. The Bank of Canada held its target for the overnight rate at the effective lower bound of 0.25 per cent but indicated its intent to begin raising short-term rates.

While inflationary pressures are anticipated to remain, inflation is expected to moderate from current elevated levels. Economic growth continues in many countries as policies shift from accommodation to normalization.

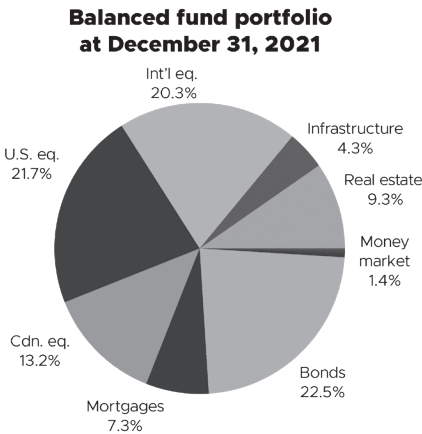
2021 market returns	
S&P/TSX Composite Index	25.1%
S&P 500 Index (C\$)	27.6%
MSCI EAFE Index (C\$)	10.3%
Canada Property Fund Index	15.4%
FTSE TMX Universe Bond Index	-2.5%
FTSE TMX 91-day T-Bill	0.2%

## CONTRIBUTION FUND - BF RESULTS

The balanced fund (BF) is structured to provide long-term capital growth and holds a mixture of equities, fixed income, Canadian real estate and infrastructure investments. The market value of the BF increased from \$521.3 million at the beginning of 2021 to \$597.1 million at the end of 2021. This represents a return of 11.53 per cent after administration costs. The historic rates of return are shown in the accompanying table. The fund is managed by TD Asset Management (TDAM) and Leith Wheeler Investment Counsel (Leith Wheeler).

SPP balanced fund return history	
2021	11.5%
5 year return	8.2%
10 year return	8.7%
Since inception (36 years)	8.1%

The chart below shows the BF asset mix on December 31, 2021 and the other charts show the sector weighting of all asset class portfolios.



The following is a summary of the 2021 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 12.5 per cent compared to a benchmark of 11.4 per cent.

# INVESTMENT REPORT

## CANADIAN EQUITIES

Top 10 Canadian equity holdings					
		% of Portfolio			% of Portfolio
1.	Royal Bank of Canada	7.3	6.	Bank of Nova Scotia	4.2
2.	Toronto-Dominion Bank	7.1	7.	Cdn. Natural Resources	4.1
3.	Brookfield Asset Mgmt.	5.4	8.	Constellation Software	3.9
4.	Bank of Montreal	4.6	9.	Canadian National Rwy.	3.2
5.	Toromont Industries	4.3	10.	iA Financial Corp.	2.7

The S&P/TSX Composite Index returned 25.1 per cent in 2021. The best performing sectors were energy and real estate, while health care suffered and under-performed heavily with a return of -19.6 per cent. The Canadian equity portfolio had positive return in the year with TDAM returning 28.3 and Leith Wheeler 29.6 per cent.

	S&P/TSX Weight (%)	Portfolio Weight (%)	Index Return (%)
Energy	13.1	10.6	48.9
Real estate	3.1	1.8	37.4
Financials	32.2	38.7	36.5
<b>SPP</b>			<b>29.0</b>
<b>S&amp;P/TSX</b>			<b>25.1</b>
Communications	4.7	5.7	24.7
Consumer staples	3.7	3.4	22.4
Information technology	10.7	10.3	18.5
Consumer discretionary	3.6	3.7	18.4
Industrials	12.0	14.9	16.5
Utilities	4.6	4.0	11.6
Materials	11.5	6.8	4.0
Health care	0.8	0.0	-19.6
Cash	-	0.1	-
Total	100.0	100.0	

## U.S. EQUITIES

Top 10 U.S. equity holdings					
		% of Portfolio			% of Portfolio
1.	Microsoft	3.9	6.	JPMorgan Chase	2.1
2.	Alphabet	3.8	7.	Amazon.com	2.1
3.	Apple	3.5	8.	Nvidia	1.7
4.	UnitedHealth Group	2.4	9.	Air Products & Chemicals	1.5
5.	Broadcom	2.4	10.	Met Platforms	1.4

The S&P 500 index (C\$) returned 27.6 per cent in the year. The best performing sectors were energy and real estate while the utilities return was the lowest in a year when not one sector had a negative annual return. SPP's U.S. Equity portfolio returns were positive in the year with TDAM returning 30.5 per cent and Leith Wheeler's sub-advisor Barrow Hanley, returned 27.8 per cent.

	S&P 500 Weight (%)	Portfolio Weight (%)	Index Return (C\$) (%)
Energy	2.7	4.2	53.5
Real estate	2.8	4.1	45.1
Financials	10.7	16.5	34.1
Information technology	29.1	18.5	33.6
<b>SPP</b>			<b>29.4</b>
<b>S&amp;P 500</b>			<b>27.6</b>
Materials	2.6	5.3	26.4
Health care	13.2	12.9	25.2
Consumer discretionary	12.5	12.6	23.5
Communications	10.2	7.9	20.7
Industrials	7.8	10.8	20.3
Consumer staples	5.9	3.2	17.8
Utilities	2.5	3.7	16.8
Cash	-	0.3	-
Total	100.0	100.0	



# INVESTMENT REPORT

## NON-NORTH AMERICAN EQUITIES

Top 10 Non-North American equity holdings			
	% of Portfolio		% of Portfolio
1. Total Energies	2.4	6. Kingspan Group	1.5
2. BMW	2.4	7. DNB Bank	1.4
3. Samsung	2.2	8. Smurfit Kappa Group	1.4
4. Tokyo Electron	1.7	9. Erste Group Bank	1.4
5. ICON	1.5	10. Lonza Group	1.4

The MSCI EAFE Index (C\$), returned 10.3 per cent in Canadian dollar terms. The best performing sector was energy, while the worst was communications. SPP's Non-North American (NNA) equity portfolio returned 8.9 per cent. TDAM returned 10.4 per cent and Leith Wheeler's sub advisor, Sprucegrove, returned 7.4 per cent.

	EAFE Weight (%)	Portfolio Weight (%)	Index Return (C\$) (%)
Austria	0.2	1.4	40.3
Netherlands	6.3	1.9	26.5
Norway	0.7	3.9	21.0
Sweden	3.7	1.8	20.8
France	11.4	6.8	18.5
Switzerland	11.0	7.9	18.3
Denmark	2.7	-	18.0
United Kingdom	12.8	16.5	17.5
Israel	0.7	1.3	14.2
Italy	2.1	3.2	14.0
<b>MCSI EAFE</b>			<b>10.3</b>
<b>SPP</b>			<b>8.9</b>
Australia	7.1	2.7	8.5
Finland	1.3	1.4	8.1
Ireland	1.1	6.0	7.6
Singapore	1.2	3.8	4.8
Germany	8.8	6.9	4.4
Belgium	0.8	-	1.3
Japan	22.6	16.8	0.8
Spain	2.3	0.8	0.5
Portugal	0.2	-	-0.7
Hong Kong	2.7	3.2	-4.7
New Zealand	0.3	-	-17.8
Emerging markets	-	11.7	-
Cash	-	2.0	-
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	

## FIXED INCOME

	FTSE UBI Weight (%)	Portfolio Weight (%)	Index Return (%)
<b>SPP</b>			<b>-0.8</b>
Corporate	26.4	32.2	-1.3
<b>FTSE UBI</b>			<b>-2.5</b>
Federal	34.0	13.0	-2.6
Municipal	2.2	7.8	-2.9
Provincial	37.4	16.3	-3.3
Cash	-	2.1	-
Mortgages	-	23.7	-
Multi credit	-	4.9	-
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	

The FTSE TMX Universe Bond Index, which measures Canadian Bond market returns, lost 2.5 per cent in the year. It was a tough year as increased inflationary pressure created a lot of anxiety around interest rates. Navigating this landscape was challenging; the SPP fixed income portfolio had a return of -0.8 per cent. TDAM returned -1.6 and Leith Wheeler returned -1.7 per cent.

## REAL ESTATE

The Canada Quarterly Property Fund Index, which measures real estate market returns, returned 15.4 per cent in the year. There has been a major recovery in mall traffic from the previous year and the office, multi-family, retail and hospitality assets of the pooled fund have all benefited from improving fundamentals including leasing activity and rental growth. The SPP real estate portfolio (managed exclusively by TDAM) returned 14.6 per cent in the year.

## INFRASTRUCTURE

The benchmark for the infrastructure portfolio is the Consumer Price Index (CPI) + 5 per cent. The benchmark rose to 10.0 per cent for 2021. The infrastructure portfolio returned 8.7 per cent in the year. The Infrastructure portfolio's excess returns continue to be driven by value-add positions in renewable energy and power infrastructure.

# INVESTMENT REPORT

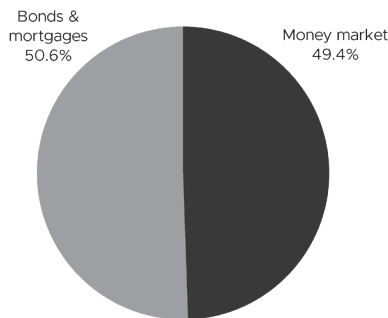
## MORTGAGES

The benchmark for the mortgage portfolio is the 60 per cent FTSE Canada Short Term Bond Index + 40 per cent FTSE Canada Mid Term Bond Index + 0.5 per cent. The mortgage portfolio returned 3.3 per cent exceeding the benchmark return of -1.1 percent. The relatively high yield of commercial mortgages versus publicly traded bonds make mortgages an attractive asset holding.

## CONTRIBUTION FUND – DIF RESULTS

The objective of the diversified income fund (DIF) is to provide a low risk option that offers income from diversified sources. The fund invests in Canadian short-term investments, bonds and mortgages with an equal target split between the two investment fund types. The FTSE Canada Universe Bond index returned -2.5 per cent. The FTSE Canada 91 Day T-bill index returned 0.2 per cent. At year-end the DIF held \$7.5 million in assets. The DIF return to members after administration costs was -0.97 per cent in 2021.

**Diversified income fund portfolio at December 31, 2021**

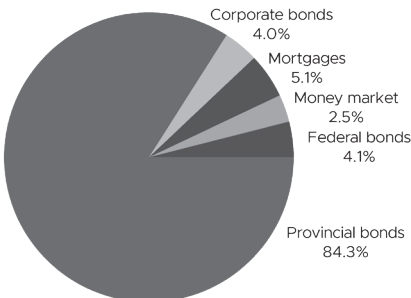


## ANNUITY FUND

The annuity fund's (AF) purpose is to provide lifetime retirement income to members. The fund is structured 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. Total assets of the fund on December 31, 2021 were \$126.1 million and there was an actuarial surplus of \$5.2 million as at the same date. Bond interest rates remained low throughout the year and therefore annuity rates were also low ranging between 1.1 per cent and 2.1 per cent for the year. The fund is managed by TDAM of Regina and the chart below shows its composition as of December 31, 2021.

**Annuity fund portfolio at December 31, 2021**



## INVESTMENT POLICY SUMMARY

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The Saskatchewan Pension Plan's aim is to create portfolios with risk/return characteristics suitable for members to grow their retirement savings.

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

The asset mix policy, or the Fund's allocation to different asset classes, is a key component of the SIP&G. It is through the asset allocation decision that SPP diversifies its investments across asset classes and attempts to balance the level of risk in each portfolio. The Board monitors, on an ongoing basis, the performance of the Funds, the investment managers and reviews the SIP&G for each fund at least once annually. The SIP&Gs are available on the SPP website at [saskpension.com](http://saskpension.com) under Resources/Annual Reports.

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* (Canada) and Regulations, and all subsequent amendments.

### CONTRIBUTION FUND

The CF holds assets of non-retired members and VB members. The assets are accumulated under a defined contribution or capital accumulation arrangement.

Members have two options in which to invest their money, the BF and the DIF.

The BF is the default investment fund for new members. The objective of this fund 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 DIF is designed for members who are seeking a low risk option that offers income. The objective of the DIF is to reduce risk by investing in diversified sources of income, allowing members who typically have a shorter-term horizon, to reduce their equity exposure. Those who are willing to accept a lower return in order to minimize financial risk may choose this fund.

### RISK MANAGEMENT

The Plan is exposed to a variety of financial risks as a result of its investment activities. In the BF, these risks include market risk, credit risk and liquidity risk. The DIF fund is subject to interest rate risk, inflation risk and credit risk. The Plan has implemented strategies to mitigate financial risks through its investment policy.

This policy contains risk management provisions that govern investment decisions and is 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.

## INVESTMENT POLICY SUMMARY

### ASSET MIX

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

Asset Mix			
Asset Class (% of fair value)	Minimum %	Benchmark %	Maximum %
<b>Equities</b>			
Canadian	5	<u>10</u>	15
U.S.	15	20	25
Non-North American	15	<u>20</u>	25
Foreign	30	<u>40</u>	50
Total equities	40	50	65
<b>Alternatives</b>			
Real estate	-	10	15
Infrastructure	-	<u>5</u>	10
Total alternatives	-	15	20
<b>Fixed income</b>			
Bonds	20	26	32
Mortgages	-	7.5	10
Short term	-	<u>1.5</u>	10
Total Fixed income	20	<u>35</u>	50
<b>Total Fund</b>		<b><u>100</u></b>	

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

The DIF invests between the pooled money market fund and fixed income pooled fund as seen below:

Asset Mix			
Asset Class (% of fair value)	Minimum %	Benchmark %	Maximum %
Short-term	40	50	60
Bonds & mortgages	40	<u>50</u>	60
<b>Total Fund</b>		<b><u>100</u></b>	

The pooled money market fund contains 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 pooled fixed income securities fund is a diversified portfolio of Canadian fixed income securities, high yield securities and Canadian commercial real estate mortgages.

### PERFORMANCE MEASUREMENT

The primary investment performance objective of each fund is to earn a rate of return that exceeds the rate of return earned on the benchmark portfolio. A second objective is to exceed the benchmark index in each of the asset classes in which the manager invests. Finally, the BF's long-term investment goal is to achieve a minimum annualized rate of return of three per cent in excess of the Canadian Consumer Price Index assessed over annualized rolling four-year periods. The DIF's long-term investment goal is to provide members with an investment option that provides a measure of protection from interest rate and credit risk by investing in diversified sources of income.

### ANNUITY FUND

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

### RISK MANAGEMENT

The objectives of the AF are:

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

## INVESTMENT POLICY SUMMARY

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

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

To achieve its objectives, the fund invests in high-quality fixed income and short-term investments all denominated and payable in Canadian dollars. Interest rate risk is addressed by matching estimated future cash payments with interest and principal payments.

## ACTUARIES' OPINION

Aon was retained by the Saskatchewan Pension Plan (the Plan) to perform an actuarial valuation of the assets and liabilities of the Saskatchewan Pension Plan on a funding basis as at December 31, 2021. The valuation of the Plans' actuarial assets and liabilities were based on:

- Membership and asset data compiled by the Saskatchewan Pension Plan as at December 31, 2021; and
- Assumptions about future events (economic and demographic) which were developed by Aon.

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



David Larsen, FSA, FCIA  
Fellow, Canadian Institute of Actuaries



Nathan Conway, FSA, FCIA  
Fellow, Canadian Institute of Actuaries

February 25, 2022

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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



Shannan Corey, B.Sc., CPHR  
Executive Director



Cheryl Andreas, CPA, CGA  
Director of Finance

February 25, 2022



## INDEPENDENT AUDITORS' REPORT

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To the Members of the Legislative Assembly, Province of Saskatchewan

### OPINION

We have audited the financial statements of Saskatchewan Pension Plan (the Plan), which comprise:

- the statement of financial position as at December 31, 2021
- the statement of changes in net assets available for benefits for the year then ended
- the statement of changes in provision for annuity obligations for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2021, and its changes in net assets available for benefits and its changes in annuity obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

### BASIS FOR OPINION

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **"Auditors' Responsibilities for the Audit of the Financial Statements"** section of our auditors' report.

We are independent of the Plan in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

### OTHER INFORMATION

Management is responsible for the other information.

Other information comprises:

- the 2021 Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statement or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in the 2021 Annual Report document as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

### RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE 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.

In preparing the financial statements, management is responsible for assessing the Plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Plan or to cease operations, or has no realistic alternative but to do so.





## INDEPENDENT AUDITORS' REPORT

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Those charged with governance are responsible for overseeing the Plan's financial reporting process.

### AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Plan's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Plan's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Plan's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants

Regina, Canada

February 25, 2022



**SASKATCHEWAN PENSION PLAN**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31 (\$ THOUSANDS)**

	2021			2020		
	Contribution Fund	Annuity Fund	Total	Contribution Fund	Annuity Fund	Total
<b>ASSETS</b>						
Investments (Notes 4 and 5)	\$ 600,756	\$ 124,946	\$ 725,702	\$ 524,763	\$ 133,642	\$ 658,405
Cash	2,662	1,455	4,117	3,367	1,240	4,607
Accrued investment income	220	764	984	272	707	979
Prepaid (deferred)						
retirement transfers	1,719	(1,719)	-	1,726	(1,726)	-
Prepaid annuity benefits	-	862	862	-	866	866
Right-of-use asset	666	69	735	788	94	882
Total assets	606,023	126,377	732,400	530,916	134,823	665,739
<b>LIABILITIES</b>						
Administrative expenses payable	537	57	594	962	71	1,033
Death and other benefits payable	179	145	324	324	54	378
Deferred member contributions	6	-	6	10	-	10
Lease liability	677	69	746	797	94	891
Total liabilities	1,399	271	1,670	2,093	219	2,312
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>						
	604,624	126,106	730,730	528,823	134,604	663,427
Accrued obligations (Note 6)	604,624	120,860	725,484	528,823	129,968	658,791
<b>SURPLUS</b>						
	\$ -	\$ 5,246	\$ 5,246	\$ -	\$ 4,636	\$ 4,636

Commitments (Note 11)

(See accompanying notes to the financial statements)



Timothy W. Calibaba, ICD.D



Paul Jaspar, SVM, FCPA, FCA

**SASKATCHEWAN PENSION PLAN**  
**STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS**  
**FOR THE YEAR ENDED DECEMBER 31 (\$ THOUSANDS)**

	2021			2020		
	Contribution Fund	Annuity Fund	Total	Contribution Fund	Annuity Fund	Total
<b>INCREASE IN ASSETS</b>						
Investment income						
Interest and other income	\$ 2,476	\$ 4,402	\$ 6,878	\$ 2,247	\$ 4,297	\$ 6,544
Dividends	1,793	-	1,793	1,921	-	1,921
Pooled funds	25,171	-	25,171	22,632	-	22,632
	29,440	4,402	33,842	26,800	4,297	31,097
Change in fair value of investments						
Realized	6,894	969	7,863	19,325	(584)	18,741
Unrealized	29,975	(8,775)	21,200	(141)	7,169	7,028
Contributions	36,305	-	36,305	33,520	-	33,520
Transfers from Contribution Fund	-	6,649	6,649	-	10,100	10,100
Total increase in assets	102,614	3,245	105,859	79,504	20,982	100,486
<b>DECREASE IN ASSETS</b>						
Annuities to pensioners	-	10,285	10,285	-	10,235	10,235
Administrative expenses (Note 9)	5,185	536	5,721	4,179	496	4,675
Transfers to other plans	12,156	-	12,156	13,610	-	13,610
Transfers to Annuity Fund	6,649	-	6,649	10,100	-	10,100
Variable benefit to pensioners	2,088	-	2,088	-	-	-
Deaths and other benefits	735	922	1,657	1,269	520	1,789
Total decrease in assets	26,813	11,743	38,556	29,158	11,251	40,409
Increase (decrease) in net assets	75,801	(8,498)	67,303	50,346	9,731	60,077
<b>NET ASSETS AVAILABLE FOR BENEFITS BEGINNING OF YEAR</b>	528,823	134,604	663,427	478,477	124,873	603,350
<b>NET ASSETS AVAILABLE FOR BENEFITS END OF YEAR</b>	\$ 604,624	\$ 126,106	\$ 730,730	\$ 528,823	\$ 134,604	\$ 663,427

(See accompanying notes to the financial statements)

**SASKATCHEWAN PENSION PLAN**  
**STATEMENT OF CHANGES IN PROVISION FOR ANNUITY OBLIGATIONS**  
**FOR THE YEAR ENDED DECEMBER 31 (\$ THOUSANDS)**

	2021	2020
<b>PROVISION FOR ANNUITY OBLIGATIONS, BEGINNING OF YEAR</b>	\$ 129,968	\$ 119,700
<b>INCREASE IN PROVISION FOR ANNUITY OBLIGATIONS</b>		
Interest on annuity obligations	1,885	2,657
Liability due to new annuities	6,752	9,306
Mortality experience	-	122
Change in interest rate assumption	-	8,426
	<u>8,637</u>	<u>20,511</u>
<b>DECREASE IN PROVISION FOR ANNUITY OBLIGATIONS</b>		
Mortality experience	90	-
Change in interest rate assumption	6,840	-
Annuities paid with interest	<u>10,815</u>	<u>10,243</u>
	<u>17,745</u>	<u>10,243</u>
Net (decrease) increase in provision for annuity obligations	<u>(9,108)</u>	<u>10,268</u>
<b>PROVISION FOR ANNUITY OBLIGATIONS, END OF YEAR</b>	<u>\$ 120,860</u>	<u>\$ 129,968</u>

(See accompanying notes to the financial statements)

# **SASKATCHEWAN PENSION PLAN**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED DECEMBER 31, 2021**

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#### **1. Description of Plan**

##### **(a) General**

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

##### **(b) Funds established**

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

##### ***Contribution Fund (CF)***

The CF is a defined contribution fund established to accumulate all contributions and earnings for all non-retired and variable benefit (VB) members. There are two investment options available to CF members, the Balanced Fund (BF) and the Diversified Income Fund (DIF). The asset mix of each fund is established based on the expected volatility of the underlying securities. The BF portfolio includes equities, bonds, mortgages, real estate, infrastructure and money market investments. The DIF holds Canadian bonds, mortgages and money market investments. Members of SPP have the option to invest in the BF, the DIF or a combination of both. New members who do not make a choice are invested in the Plan's default option which is the BF. Members bear the risk of investment losses and are the beneficiaries of investment gains.

##### ***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 and mortgages. 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 annuity payments to retirees when due and to ensure long-term solvency.

##### **(c) Contributions**

Participation in the CF is voluntary and non-retired members can contribute up to the maximum allowable limit, subject to their available RRSP room. The 2021 contribution limit was \$6,600 indexed annually to the change in the Year's Maximum Pensionable Earnings (YMPE). Contributions are vested immediately in the member's name and are locked into the Plan until retirement. Both non-retired and VB members may also transfer \$10,000 annually from an RRSP, RRIF or unlocked RPP to SPP.

##### **(d) Retirement**

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

##### **(e) Income tax**

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

# **SASKATCHEWAN PENSION PLAN**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED DECEMBER 31, 2021**

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#### **1. Description of plan, continued**

##### **(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 pension option 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 2021, the prescribed amount was \$25.67 (2020: \$24.46).

#### **2. Basis of presentation**

##### **(a) Statement of compliance**

The financial statements for the year ended December 31, 2021 have been prepared in accordance with Canadian accounting standards for pension plans as defined in the CPA Handbook, Section 4600, Pension Plans. For matters not addressed in Section 4600, International Financial Reporting Standards (IFRS) have been followed.

The financial statements were authorized and issued by the Board on February 25, 2022.

##### **(b) Basis of measurement**

The financial statements have been prepared on the historical cost basis, except for investments, which are stated at fair value.

##### **(c) Functional and presentation currency**

These financial statements are presented in Canadian Dollars, which is the Plan's functional currency, and are rounded to the nearest thousand as noted.

#### **3. Summary of significant accounting policies**

##### **(a) Valuation of investments**

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

The fair value of investments is determined as follows:

- (i) Money market investments, comprising of treasury bills and bankers acceptances, are valued at cost, which together with accrued investment income, approximates fair value given the short-term nature of these investments.
- (ii) Bonds and the multi credit pooled fund are valued at year-end quoted market prices in an active market when available. When quoted market prices are not available, the fair value is based on a valuation technique, being the present value of the principal and interest receivable discounted at appropriate market interest rates.
- (iii) Equities are valued at year-end quoted prices from accredited stock exchanges on which the security is principally traded.
- (iv) Pooled fund investments are valued at the unit price supplied by the pooled fund administrator, which represents the underlying net assets of the pooled fund at fair values determined using closing prices.
- (v) Real estate pooled fund is valued using market values from independent appraisals.
- (vi) Mortgage pooled fund is valued using spread-based pricing, over Government of Canada bonds, with a similar term to maturity.
- (vii) Infrastructure pooled fund is valued using a discounted cash flow method by an independent third party valuation firm.

# **SASKATCHEWAN PENSION PLAN**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED DECEMBER 31, 2021**

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#### **3. Summary of significant accounting policies, continued**

##### **(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) Fair value of other liabilities**

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

##### **(d) Right-of-use asset and lease liability**

The Plan has elected to apply practical expedients to not recognize right-of-use assets and lease liabilities for short term leases that have a lease term of 12 months or less, and leases of low-value assets. At inception of a contract, the Plan assesses whether a contract is, or contains a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Plan recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those in capital assets, which is over the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability. The lease liability is subsequently measured at the present value of future lease payments discounted at the Plan's incremental borrowing rate, adjusted as appropriate.

##### **(e) Accrued obligations**

The accrued obligation for the AF is determined based on an actuarial valuation prepared by Aon Inc., an independent firm of actuaries. The valuation is prepared annually at December 31. Any change in the liability pursuant to the valuation is recognized as an increase or decrease in that year's statement of changes in provision for annuity obligations.

##### **(f) Foreign currency translation**

Assets and liabilities denominated in foreign currencies 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. The realized and unrealized gains and losses arising on translation are included in the change in fair value of investments.

##### **(g) Use of estimates and judgments**

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 of contingent assets and liabilities. Actual results could differ from these estimates. Significant estimates included in the financial statements relate to the valuation of investments (see Note 4 and Note 5) and the provision for annuity obligations (see Note 6).

**SASKATCHEWAN PENSION PLAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**4. 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)	2021	2020
<b>Bonds and bond pooled funds</b>		
Federal	\$ 8,578	\$ 10,665
Provincial	9,777	14,887
Corporate	13,245	18,703
Multi credit pooled fund	9,197	10,827
Bond pooled fund	97,309	85,099
	138,106	140,181
<b>Equities and equity pooled funds</b>		
Canadian equities	39,222	31,987
Canadian equity pooled fund	38,815	31,588
United States equities	63,009	50,162
US equity pooled fund	65,672	57,317
International equity pooled funds	120,456	110,179
	327,174	281,233
<b>Other</b>		
Money market	4,711	4,048
Money market pooled funds	6,996	7,314
Infrastructure pooled fund	25,585	20,519
Real estate pooled fund	55,164	48,130
Mortgage pooled fund	43,020	23,338
	135,476	103,349
<b>Total CF Investments</b>	<b>\$ 600,756</b>	<b>\$ 524,763</b>

***Bonds and bond pooled funds***

The portfolio contains bonds that the CF holds directly or in pooled funds, including multi credit bonds, private placement bonds and bonds issued by foreign entities, all denominated and paid in Canadian dollars. Except for the multi credit pooled bond fund, 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 Bond pooled fund has bond future exchange contracts in place to manage interest rate risk.

***Equities and equity pooled funds***

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

***Money market and money market pooled funds***

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.

**SASKATCHEWAN PENSION PLAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**4. Contribution fund investments, continued**

***Real estate pooled fund***

The 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 mortgage pooled fund include first and subsequent priority mortgages in Canadian real estate.

***Infrastructure pooled fund***

The assets of the infrastructure pooled fund investments are global infrastructure investments diversified by geographic location with a core risk strategy.

**(b) Fair value measurements**

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

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

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

(\$ thousands)		2021			
		Level 1	Level 2	Level 3	Total
Money market and money market pooled funds	\$	-	\$ 11,707	\$ -	\$ 11,707
Bonds and bond pooled funds		-	138,106	-	138,106
Equities and equity pooled funds		102,231	224,943	-	327,174
Infrastructure pooled fund		-	-	25,585	25,585
Mortgage pooled fund		-	-	43,020	43,020
Real estate pooled fund		-	-	55,164	55,164
	\$	102,231	\$ 374,756	\$ 123,769	\$ 600,756

(\$ thousands)		2020			
		Level 1	Level 2	Level 3	Total
Money market and money market pooled funds	\$	-	\$ 11,362	\$ -	\$ 11,362
Bonds and bond pooled funds		-	140,181	-	140,181
Equities and equity pooled funds		82,149	199,084	-	281,233
Infrastructure pooled fund		-	-	20,519	20,519
Mortgage pooled fund		-	-	23,338	23,338
Real estate pooled fund		-	-	48,130	48,130
	\$	82,149	\$ 350,627	\$ 91,987	\$ 524,763



**SASKATCHEWAN PENSION PLAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**4. Contribution fund investments, continued**

Below is a reconciliation of the level 3 fair value measurements for the year ended December 31:

(\$ thousands)

	Infrastructure pooled fund	Mortgage pooled fund	Real estate pooled fund	Total
Balance at December 31, 2020	\$ 20,519	\$ 23,338	\$ 48,130	\$ 91,987
Purchases	3,006	20,035	-	23,041
Unrealized gains (losses)	2,060	(353)	7,034	8,741
Balance at December 31, 2021	\$ 25,585	\$ 43,020	\$ 55,164	\$ 123,769

(\$ thousands)

	Infrastructure pooled fund	Mortgage pooled fund	Real estate pooled fund	Total
Balance at December 31, 2019	\$ 12,820	\$ 11,992	\$ 49,053	\$ 73,865
Purchases	4,909	11,143	-	16,052
Unrealized gains (losses)	2,790	203	(923)	2,070
Balance at December 31, 2020	\$ 20,519	\$ 23,338	\$ 48,130	\$ 91,987

**(c) Financial risk management**

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

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

**(i) Credit risk**

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

**SASKATCHEWAN PENSION PLAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**4. Contribution fund investments, continued**

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)	2021	2020
Cash	\$ 2,662	\$ 3,367
Accrued interest income	126	185
Money market and money market pooled funds	11,707	11,362
Bonds and bond pooled funds	138,106	140,181
Mortgage pooled fund	43,020	23,338
	<b>\$ 195,621</b>	<b>\$ 178,433</b>

The credit ratings of the bond portfolio as of December 31 are summarized as follows:

(\$ thousands)	2021		2020	
Credit rating	Fair value	% of Portfolio	Fair value	% of Portfolio
AAA	\$ 8,987	28.5%	\$ 11,182	25.3%
AA	13,629	43.1%	20,010	45.2%
A	5,065	16.0%	6,760	15.3%
BBB	3,919	12.4%	6,303	14.2%
	<b>\$ 31,600</b>	<b>100.0%</b>	<b>\$ 44,255</b>	<b>100.0%</b>

Other than the Government of Canada, no single issuer represents more than 20.1% (2020: 20.5%) of the overall bond portfolio. Fixed rate bonds have effective interest rates ranging between 0.2% and 4.2% (2020: 0.2% and 4.3%) and coupon rates ranging between 0.4% and 6.3% (2020: 0.4% and 7.2%).

**(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**

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

At December 31, 2021, the Plan's foreign currency exposure in U.S. equities was \$63.0 million (2020: \$50.2 million). If the Canadian dollar had strengthened or weakened by 10% in relation to the U.S. dollar exchange rate, with all other variables held constant, the net assets would have decreased or increased respectively, by approximately \$6.3 million (2020: \$5.0 million). In practice, the actual trading results may differ from this approximate sensitivity analysis.

# SASKATCHEWAN PENSION PLAN

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2021

#### 4. Contribution fund investments, continued

##### *Interest rate risk*

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

The CF holds approximately 30.1% (2020: 31.1%) of its investments in fixed income securities. As of December 31, 2021, 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 6.0% (2020: 4.8%).

The table below summarizes the Fund's exposure to interest rate risk by the remaining term to maturity:

(\$ thousands)		2021			
Years to maturity		Federal	Provincial	Corporate	Fair value
Within 1	\$	475	\$ -	\$ 329	\$ 804
1 to 5		4,718	509	6,754	11,981
6 to 10		1,955	1,314	2,950	6,219
Over 10		1,430	7,954	3,212	12,596
	\$	8,578	\$ 9,777	\$ 13,245	\$ 31,600

(\$ thousands)		2020			
Years to maturity		Federal	Provincial	Corporate	Fair value
Within 1	\$	430	\$ -	\$ 659	\$ 1,089
1 to 5		9,056	3,491	8,272	20,819
6 to 10		-	2,108	5,933	8,041
Over 10		1,179	9,288	3,839	14,306
	\$	10,665	\$ 14,887	\$ 18,703	\$ 44,255

##### *Equity price risk*

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

Equities and equity pooled funds comprise 54.5% (2020: 53.6%) of the Plan's total investments. At December 31, if the market prices, as measured by the benchmark indices, increased or decreased by 10%, with all other variables held constant, the Plan's net assets would have increased or decreased by approximately:

(\$ thousands)	2021 Impact		2020 Impact	
S&P/TSX Capped Composite Index	\$	7,804	\$	6,357
S&P 500 Index (CAD)		12,868		10,748
MSCI EAFE Index (CAD)		12,046		11,018

# SASKATCHEWAN PENSION PLAN

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2021

#### 4. Contribution fund investments, continued

##### (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	
	2021	2020	2021	2020
Portfolio return	12.5%	9.9%	8.8%	8.4%
Benchmark return	11.4%	7.0%	8.0%	7.4%

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

#### 5. Annuity fund investments

##### (a) Investments

The AF investments consist of the following:

(\$ thousands)	2021	2020
<b>Bonds</b>		
Federal	\$ 5,171	\$ 8,571
Provincial	105,297	109,962
Corporate	5,037	5,213
	115,505	123,746
<b>Other</b>		
Money market	3,122	3,778
Mortgage pooled fund	6,319	6,118
	9,441	9,896
<b>Total AF Investments</b>	<b>\$ 124,946</b>	<b>\$ 133,642</b>

##### **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. The combined market value of corporate bonds and mortgage holdings shall not exceed 10% of the fund's market value, with the limit reviewed annually relative to the fund's funding position.

**SASKATCHEWAN PENSION PLAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**5. Annuity fund investments, continued**

***Mortgage pooled fund***

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

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)		2021			
		Level 1	Level 2	Level 3	Total
Money market	\$	-	\$ 3,122	\$ -	\$ 3,122
Bonds		-	115,505	-	115,505
Mortgage pooled fund		-	-	6,319	6,319
	\$	-	\$ 118,627	\$ 6,319	\$ 124,946

(\$ thousands)		2020			
		Level 1	Level 2	Level 3	Total
Money market	\$	-	\$ 3,778	\$ -	\$ 3,778
Bonds		-	123,746	-	123,746
Mortgage pooled fund		-	-	6,118	6,118
	\$	-	\$ 127,524	\$ 6,118	\$ 133,642

# SASKATCHEWAN PENSION PLAN

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2021

#### 5. Annuity fund investments, continued

Below is a reconciliation of the level 3 fair value measurements for the year ended December 31:

(\$ thousands)

	Total
Balance at December 31, 2020	\$ 6,118
Purchases	278
Unrealized losses	(77)
Balance at December 31, 2021	\$ 6,319

(\$ thousands)

	Total
Balance at December 31, 2019	\$ 5,738
Purchases	270
Unrealized gains	110
Balance at December 31, 2020	\$ 6,118

#### (c) Financial risk management

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

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

#### (i) Credit risk

Credit risk arises from the potential for issuers of securities to default on their contractual obligation to the AF. The Plan limits credit risk through quality, quantity and diversification guidelines set out in the Investment Policy and by monitoring compliance to those guidelines. At December 31, 2021 the Fund's maximum credit risk exposure relates to cash, bonds, accrued interest income and money market investments totaling \$127,165,067 (2020: \$135,590,047). At year end the AF held no bonds with a BBB rating. Other than the Government of Canada, no single issuer represents more than 32.1% (2020: 29.7%) of the overall bond portfolio. Fixed rate bonds have effective interest rates ranging between 0.3% and 2.7% (2020: 0.2% and 2.3%).

**SASKATCHEWAN PENSION PLAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**5. Annuity fund investments, continued**

The table below summarizes the Fund's exposure to interest rate risk by the remaining term to maturity:

(\$ thousands)		2021		2020	
Credit rating		Fair value	% of Portfolio	Fair value	% of Portfolio
AAA	\$	5,171	4.5%	\$ 8,571	6.9%
AA		90,552	78.4%	94,482	76.4%
A		19,782	17.1%	20,693	16.7%
	\$	115,505	100.0%	\$ 123,746	100.0%

**(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 AF holds 100.0% (2020: 100.0%) of its investments in fixed income securities. As of December 31, 2021, 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 7.7% (2020: 8.1%).

The table below summarizes the Fund's exposure to interest rate risk by the remaining term to maturity:

(\$ thousands)		2021			
Years to maturity		Federal	Provincial	Corporate	Fair value
Within 1	\$	-	\$ 4,480	\$ 1,782	\$ 6,262
1 to 5		44	22,432	3,255	25,731
6 to 10		2,027	29,876	-	31,903
Over 10		3,100	48,509	-	51,609
	\$	5,171	\$ 105,297	\$ 5,037	\$ 115,505

(\$ thousands)		2020			
Years to maturity		Federal	Provincial	Corporate	Fair value
Within 1	\$	2,888	\$ 2,308	\$ -	\$ 5,196
1 to 5		48	24,994	3,625	28,667
6 to 10		2,211	29,772	1,588	33,571
Over 10		3,424	52,888	-	56,312
	\$	8,571	\$ 109,962	\$ 5,213	\$ 123,746

# **SASKATCHEWAN PENSION PLAN**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED DECEMBER 31, 2021**

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#### **5. Annuity fund investments, continued**

##### **(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.

#### **6. Provision for annuity obligations**

The provision for annuity obligations is the actuarial present value of the future expected annuity benefit obligation to pensioners as determined by Aon 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 2.08% (2020: 1.45%) was used to determine the liabilities as of December 31, 2021. The mortality table assumption used the 2014 CPM Combined table with the MI-2017 improvement scale for the actuarial valuation as it closely reflects actual experience of the Plan. The duration of annuity payments is 8.0 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, 2021 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 \$9,527,000 (2020: \$10,760,000) or if the interest rate decreases by 1.0%, the provision for annuity obligation increases by \$11,051,000 (2020: \$12,559,000). If the average mortality age increases by 1 year, the provision for annuity benefits increases by \$7,649,000 (2020: \$8,544,000).

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 cash outflows for the next five years are \$47.2 million and for the next ten years \$85.5 million.

The next actuarial valuation is required as of December 31, 2023.

#### **7. 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.



# SASKATCHEWAN PENSION PLAN

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2021

#### 8. 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 \$277,375 (2020: \$271,029) and at year end had \$4,117 (2020: \$4,586) in accounts payable with these related parties.

At December 31, 2021, the Plan has \$4,291,593 (2020: \$4,368,829) invested in Province of Saskatchewan bonds with varying maturity dates and interest rates. Interest income during the year was \$259,096 (2020: \$134,804) and change in the market value of these bonds was a decrease of \$328,560 (2020: increase of \$2,402).

#### 9. Administrative expenses

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

(\$ thousands)	2021	2020
Administration expenses	\$ 2,431	\$ 1,819
Investment management fees	1,863	1,589
Salaries and benefits	1,322	1,154
Custodial fees	50	56
Audit fees	40	48
Actuarial fee	15	9
Total administrative expenses	\$ 5,721	\$ 4,675

#### 10. 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)	2021	2020
Short-term employee benefits	\$ 247	\$ 166
Post-employment retirement benefits	12	8
	\$ 259	\$ 174

#### 11. Commitments

As at December 31, 2021, the Plan has committed to a further investment in a private debt partnership up to \$56.5 million in Canadian funds (2020 - \$nil).

#### 12. Capital management

The Plan receives new capital from member contributions. The Plan also benefits from income and market value increases on invested capital. The Plan's capital is invested in a number of asset classes including equities, fixed income, pooled funds and short-term investments. The Board of Trustees has delegated the operational investment decisions to our investment managers based on investment mandates as defined in the Plan's Statement of Investment Policy and Procedures.



**SASKATCHEWAN  
PENSION PLAN**

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