SaskTel

Saskatchewan Telecommunications Pension Plan

84th Annual Report and Financial Statements

Year ended December 31, 2011

Board Mission Statement

The Board is committed to pursuing sound governance practices in discharging its responsibilities as administrator of the Pension Plan. The Board strives to ensure the Pension Plan is administered always in an effective manner and consistent with the fiduciary duties owed to plan members and other stakeholders.

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Message from the Chair

Dale Hillmer, **Chairperson**
Larry Bolster, **Member**
Mike Anderson, **Member**
Dale Baron, **Member**
Brian Renas, **Member**

To: All Contributors/Pensioners in the SaskTel Pension Plan

I am pleased to submit herewith extracts from the annual report of the Saskatchewan Telecommunications Pension Plan for the year ended December 31, 2011 including the financial statements audited by the External Auditor.

Copies of the complete annual report are on file in the Pension Board office, 6th Floor, 2121 Saskatchewan Drive, Regina, Saskatchewan.

The overall rate of return for the Saskatchewan Telecommunications Pension Fund (the Fund) was 1.9% in 2011 (11.7% in 2010).

Saskatchewan Telecommunications (SaskTel), has the ultimate responsibility to ensure that pension obligations are paid. As a result of the actuarial valuation completed during 2011, SaskTel's employer contributions were $16.0 million in 2011 ($16.5 million in 2010).

If you have any questions or concerns, regarding the financial statements or any other matter, please do not hesitate to call Wendell Anderson at (306) 777-5100, Marg Selinger at (306) 777-2555.

Sincerely,

Dale Hillmer
Chairperson

March 27, 2012

Plan Membership

PLAN MEMBERS AS AT DECEMBER 31, 2011

Employee Members	90
Retired Members	2,059
Total Members	2,149

PRESENT RETIREES AT THE END OF THE 84th YEAR PERIOD

		Average Age	as at Dec. 31, 2011	as at Dec. 31, 2010
Retirees 65 & Over	Males	74.05	596	573
	Females	76.04	304	293
Retirees Under 65	Males	58.92	579	611
	Females	58.19	297	310
Dependants	Spouses	75.41	266	252
	Children	17.15	1	1
Split Pensions	Males	0	0	0
	Females	66.32	16	16
			2,059	2,056

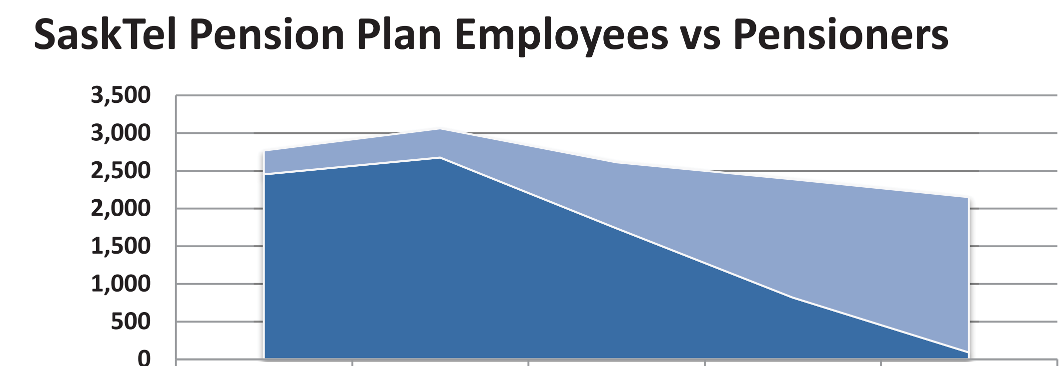
CUMULATIVE RETIREMENTS May 1, 1928 to December 31, 2011

	Male	Female	Total
Age Limit	199	81	280
Optional Retirement	1,536	758	2,294
Ill Health	49	25	74
*Ill Health Re-Employed			3
*Widows/Widowers			525
*Children			85
*Split Pensions			17
			3,278

*not tracked by Male/Female – only the total is available for these categories

NUMBER OF EMPLOYEES UNDER THE PROVISIONS OF THE SASKATCHEWAN TELECOMMUNICATIONS PENSION PLAN AT DECEMBER 31, 2011

	Male	Female	Total
Direct West Employees	-	3	3
SaskTel Employees	66	21	87
Total	66	24	90



	1971	1981	1991	2001	2011
Pensioners	316	387	875	1,568	2,059
Active Employees	2,451	2,674	1,736	818	90

Significant Events 2011

GOVERNANCE

Governance activities completed by the Board during 2011 included:

- Reviewed strategic planning and risk objectives
- Self assessment of governance structure
- Progressed with the de-risking strategy to minimize market related risks.

Actuarial Valuations

GENERAL

The Pension Benefits Regulations, 1993 require actuarial valuations be filed at least every three years. The results from the latest valuation as at December 31, 2010 are included. Valuations are filed with the Saskatchewan Financial Services Commission – Pensions Division and with Canada Revenue Agency.

ASSUMPTIONS FOR FUNDING PURPOSES

The actuarial assumptions used for funding purposes are a set of assumptions which reflects the Board's judgment of the most likely set of conditions affecting future events. Following are the significant actuarial assumptions used in the December 31, 2010 valuation to determine the actuarial value of pension obligations. The actuarial assumptions used for the December 31, 2007 valuation are shown for comparison purposes:

Significant Assumption	Valuation as at Dec. 31, 2010	Valuation as at Dec. 31, 2007
Gross Rate of Return on Assets	6.55%*	6.50%*
Provision for Future Expenses	0.30%	0.25%
Discount Rate for Liabilities	6.55%	6.50%
Inflation	2.50%	2.50%
Salary Escalation	3.50%	3.50%
Future Indexing	2.00%	2.00%

Mortality rates were applied utilizing the Uninsured Pensioner 1994 Mortality Table with mortality improvements projected to the year 2020 (2007 Valuation used the same table, but projected to 2015).

*Net of a margin for funding purposes, representing conservatism from market best estimate.

ACCOUNTING, FUNDING, AND SOLVENCY EXTRAPOLATIONS

The **Projected Accrued Benefit Method** prorated on services is used for financial reporting purposes and provides a valuation based on benefits earned to the date of the financial statements only.

The **Ongoing Funding Method**, although not acceptable for financial reporting purposes, provides a valuation that considers benefits earned to-date as well as future benefits to be earned and contributions to be made. It is the method used by the actuary to measure the ability of the Plan to meet current and future obligations to plan members.

The **Solvency Method** determines the solvency position of the Plan if it were wound up on the valuation date.

Following is a comparative analysis of the Plan surplus (deficit) under the three methods (amounts in thousands of dollars):

Method	2011 (Extrapolated)	2010 (Actuarial Valuation)	2009 (Extrapolated)
Projected Accrued Benefit Method	($216,026)*	($105,036)**	($80,449)
Ongoing Funding Method	$3,413	$22,134	($50,360)
Solvency Method	($348,054)	($161,618)	($215,910)

*Based on accounting standards at December 31, 2011 and funding valuation at December 31, 2010.
** Extrapolated based on accounting standards at December 31, 2010 and accounting valuation at November 30, 2009.

FUNDING

The Pension Benefits Regulations, 1993 require ongoing funding deficiencies to be eliminated in 15 years and solvency deficiencies to be eliminated in 5 years. The Corporation has the ultimate responsibility to ensure that the pension obligations are paid. Following is a summary of the annual contributions required.

(Thousands of dollars)	2011	2010
Employee Contributions	$198	$360
Employer Current Service Cost	664	1,128
Amortization of Solvency Deficiency	15,341	15,341
Employer Contributions	$16,005	$16,469
Total Contributions	$16,203	$16,829

Investment Governance

OBJECTIVE OF THE PLAN

The purpose of the Saskatchewan Telecommunications Pension Plan (the Plan) is to meet the present and future obligations accumulated on behalf of the Plan's participants.

INVESTMENT POLICY

The Statement of Investment Policies and Goals (SIP&G) is updated and approved by the SaskTel Pension Plan Board annually. The policy provides a framework for the prudent investment and administration of the pension fund. The policy also provides the investment managers with a written statement of specific quality, quantity and rate of return standards.

Plan assets (Fund) should be prudently managed to assist in avoiding actuarial deficits and excessive volatility in annual rates of return. An assessment of the risk tolerance of the Plan considers the cash demands and the closed nature of the Plan, along with the financial position. The Plan maturity is above average in that retired lives dominate the membership, and liquidity needs are increasing. The need for continued growth is also a consideration, given the 2% guaranteed indexing for retirees and the impact of inflation on the future pension liabilities of the active members. Based on these factors, the Fund can assume a modest level of investment risk, defined as the volatility of returns in any year, to achieve the income and growth objectives. This assessment implies a long-term asset mix strategy that has a significant position in fixed income and as well as equity exposure for diversification and growth.

RISK PHILOSOPHY

While prudent management seeks to avoid excessive volatility, it is recognized that a low risk investment policy will earn a low rate of return. The impact may be that the Plan's liabilities grow faster than the assets. Therefore, in order to achieve the long-term investment goals, the Fund must invest in assets that have uncertain returns, such as Canadian equities, foreign equities and non-government bonds. However, the Board attempts to reduce the overall level of risk by diversifying the asset classes and further diversifying within each individual asset class.

RISK MANAGEMENT

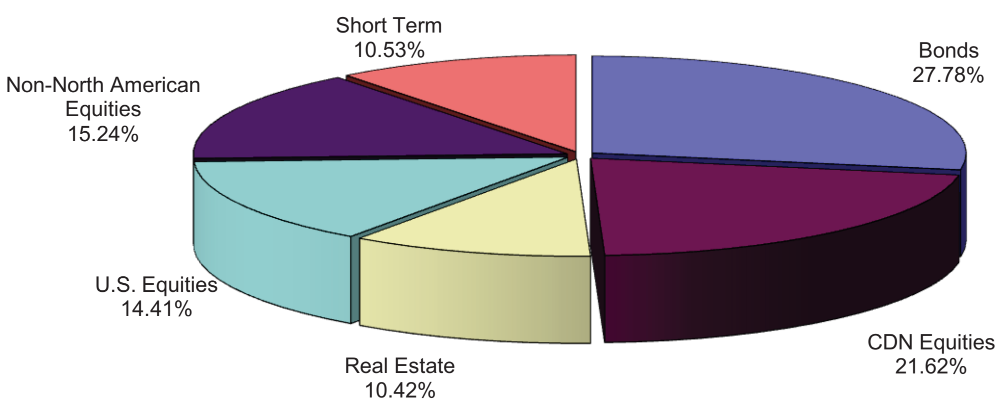
The Board is responsible for identifying business risks that could adversely affect the operation of the Plan and the provision of the benefits promised by the Plan. Through the annual strategic planning and risk assessment process, the Board will review risk management strategies and ensure the appropriate systems are in place and steps are taken to manage risks.

ASSET MIX

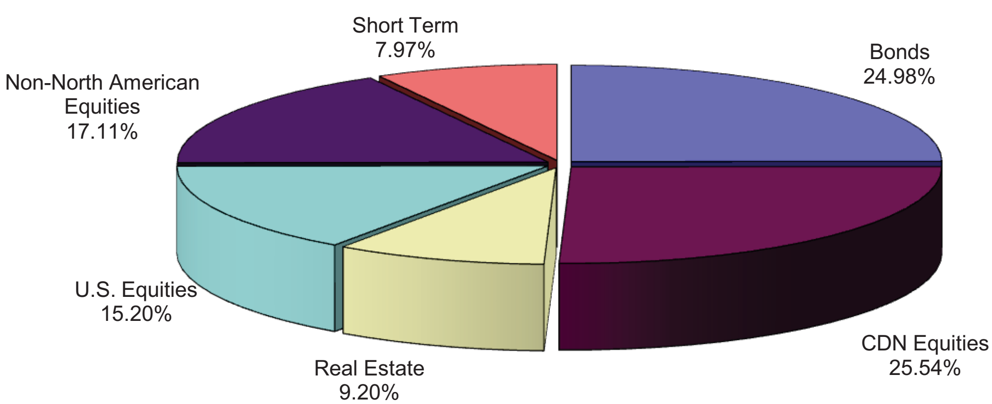
Taking into consideration the investment and risk philosophy of the Fund, the following range and target asset mix has been established:

	Range	Target
Equities (Includes Real Estate)	50 – 78%	64%
Fixed Income	30 – 50%	36%

December 31, 2011



December 31, 2010



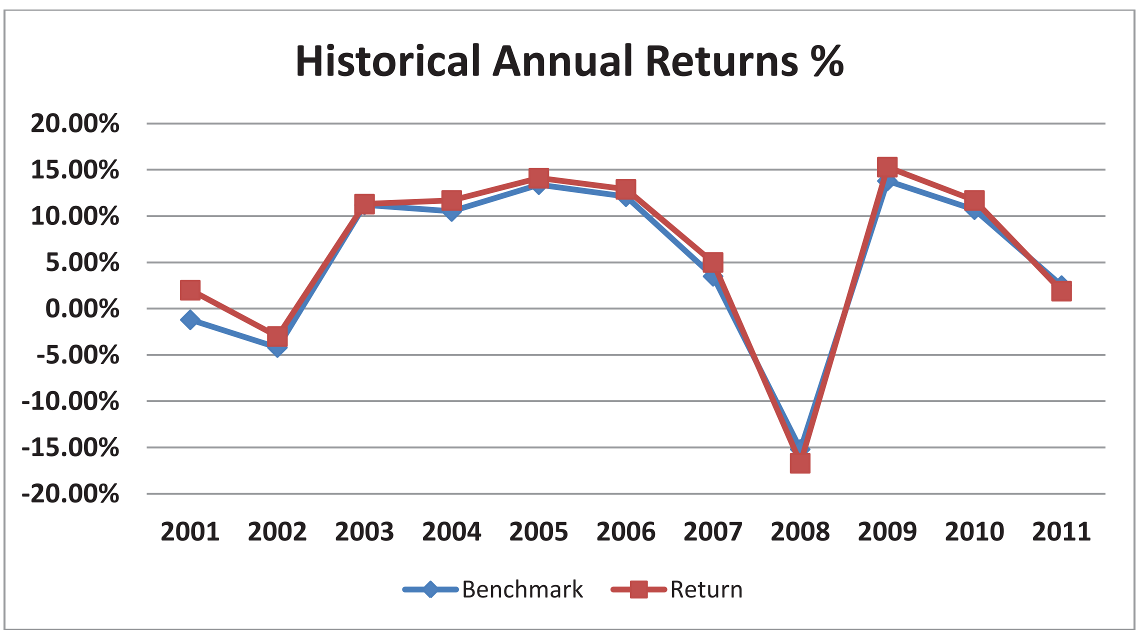
Investment Performance

The total Fund return for 2011 of 1.9% trailed the expected return of 6.5% and represents a substantial drop from the 11.7% return in 2010. The year 2011 was one of economic uncertainty, driven by sovereign debt issues in Europe, political unrest in Egypt and Libya, and cooling economic growth in China. The ensuing flight to safety benefited bonds generally, especially long term and real return bond issues, which returned approximately 18%. Canadian and Non North American equities provided negative results, while the U.S. equity market managed a slightly positive return.

The 2011 result tracked below the policy benchmark return of 2.5%. Active management detracted overall, with below index results by the balanced manager offsetting above index results by managers with specialist equity mandates.

For the four years ended December 2011, the Fund had an annualized gross rate of return of 2.4%, tracking 0.3% per year above the 2.1% policy benchmark return. Real estate, bonds, and U.S. equities provided the strongest absolute returns, and active management overall added value. The result tracked below the long term return objective for funding purposes of 6.25% due to the negative 2008 result.

Return on Investments %	2011	2010
Annual Return	1.9	11.7
Annual Benchmark	2.5	10.7
Four year annualized return	2.4	3.1
Four year benchmark	2.1	2.3

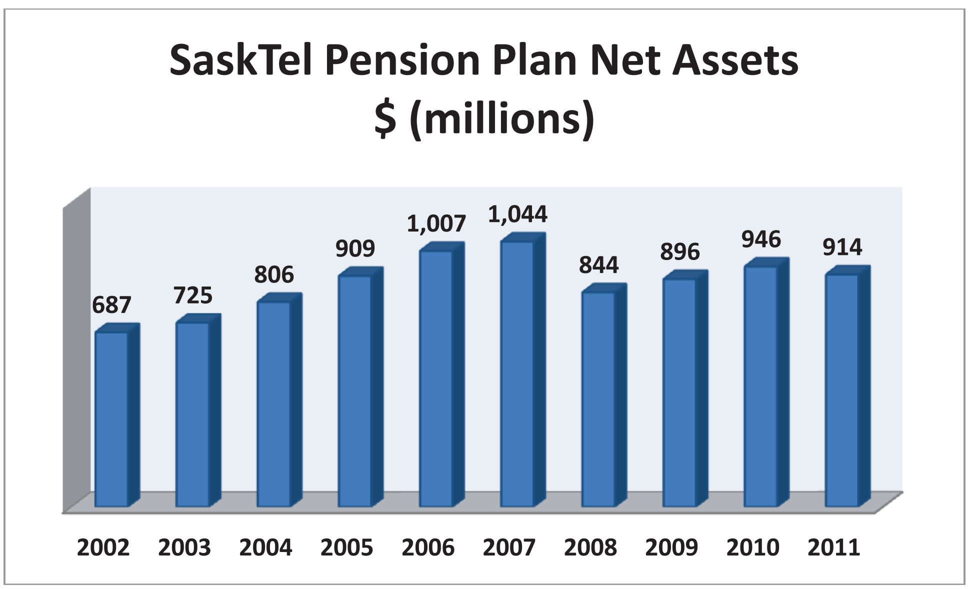


Financial Highlights

Net assets available for benefits decreased by 3.3% from $946M in 2010 to $914M in 2011.

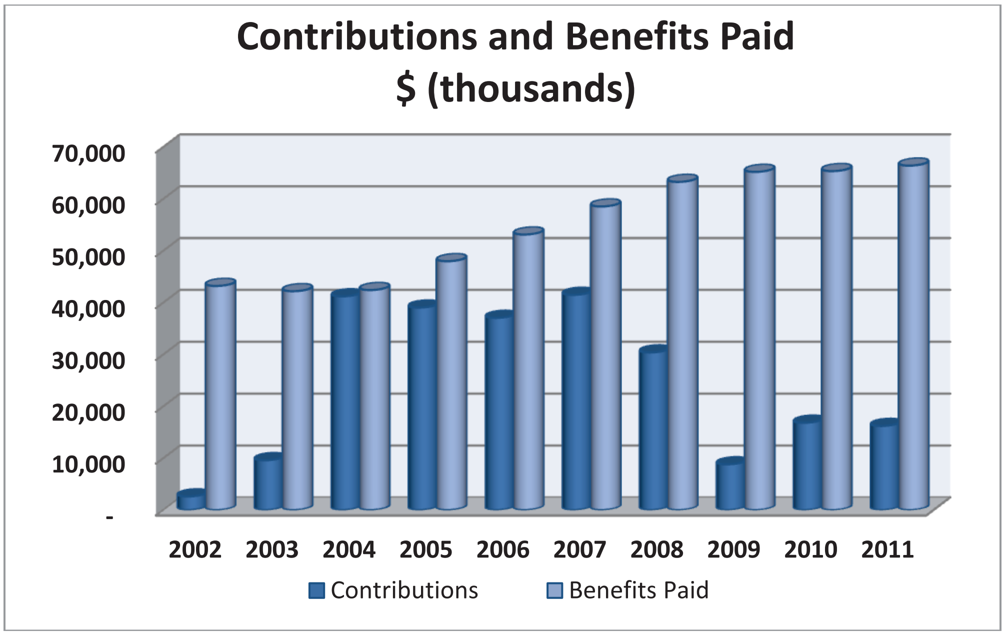
Net Assets Available for Benefits

$ (Thousands of dollars)	**2011**	2010
Net assets available for benefits - opening balance	**$945,668**	$896,306
Plus: Investment Income	**27,026**	23,758
Contributions	**16,203**	16,829
Less: Benefits	**66,408**	65,849
Expenses	**2,752**	2,531
Unrealized gains (losses)	**(5,453)**	77,155
Net assets available for benefits at year end	**$914,284**	$945,668



Contributions decreased from $16.8 million in 2010 to $16.2 million in 2011. SaskTel contributed $16.0 million in 2011 ($16.5 million in 2010). Decreased company contributions are a result of the decreased employee contributions. Employee contributions decreased from $0.4 million in 2010 to $0.2 million in 2011 due to fewer employees contributing to the Plan as a result of employees reaching maximum years of service.

Benefits paid from the plan increased from $65.8 million in 2010 to $66.4 million in 2011 mostly due to the annual indexing.



Investment Management

The Pension Plan Text permits the Board to engage technical and professional advisers, specialists and consultants for the purposes of managing, investing and disposing of plan assets. The companies hired for custodial, investment management, and consulting services are listed below:

As the custodian of the pension fund assets, **RBC Global Services** performed the processing and handling of investment transactions.

The investment managers managed the investing and disposing of plan assets. **Greystone Capital Management Inc.** has a balanced mandate. **Beutel Goodman & Company Ltd.** has a specialty Canadian equity mandate. **TD Asset Management (TDAM)** has a bond and US equities index mandate. **Grantham, Mayo, Van Otterloo & Company (GMO)** has a specialty all country ex. U.S. equity mandate.

As the consultant to the Board, **AON Hewitt** provided analytical and financial advice.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements included in the annual report of the Saskatchewan Telecommunications Pension Plan for the year ended December 31, 2011, are the responsibility of management and have been approved by the Pension Board. Management has prepared the financial statements in accordance with Canadian accounting standards for pension plans. The financial information presented elsewhere in this annual report is consistent with that in the financial statements.

To ensure the integrity and objectivity of the financial data, management maintains a comprehensive system of internal controls including written policies and procedures, an organizational structure that segregates duties and a comprehensive internal audit program. These measures provide reasonable assurance that transactions are recorded and executed in compliance with legislation and required authority, assets are properly safeguarded and reliable financial records are maintained.

The Pension Board is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. The Pension Board fulfills this responsibility through periodic meetings with management and with the internal and external auditors. Both the internal and external auditors have free access to the Pension Board to discuss their audit work, their opinion on the adequacy of internal controls and the quality of financial reporting. The Pension Plan's annual financial statements have been reviewed in detail with the entire Pension Board prior to approval by the Pension Board.

The financial statements have been audited by the independent firm of KPMG LLP, Chartered Accountants, as appointed by the Lieutenant Governor in Council and approved by Crown Investments Corporation of Saskatchewan.

Mike Anderson
Chief Financial Officer

Marg Selinger
Pension Plan Manager
Administrator, SaskTel Pension Board

March 27, 2012

Actuary's Opinion

Aon Hewitt was retained by the Saskatchewan Telecommunications Pension Board (the "Board") to perform an actuarial valuation of the assets and liabilities of the Saskatchewan Telecommunications Pension Plan (the "Plan") as at December 31, 2010. The Board retained Aon Hewitt to prepare an extrapolation of the Plan's liabilities from December 31, 2010 to December 31, 2011. This extrapolation was used to prepare the actuarial information for inclusion in the Annual Report for the year ended December 31, 2011.

The extrapolation of the Plan's liabilities to December 31, 2011 was based on:

- An actuarial valuation (based on membership data provided by the Board) as at December 31, 2010;
- Methods prescribed by the Canadian Institute of Chartered Accountants for pension plan financial statements; and
- Assumptions about future events (economic and demographic) which were developed by management and Aon Hewitt and are considered as management's best estimate of these events.

While the actuarial assumptions used to determine liabilities for the Plan's financial statements contained in the Annual Report represent management's best estimate of future events, and while in my opinion these assumptions are reasonable, the Plan's future experience will differ from the actuarial assumptions. Emerging experience differing from the assumptions will result in gains or losses that will be revealed in future valuations, and will affect the financial position of the Plan.

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

David R. Larsen
Fellow, Canadian Institute of Actuaries
Fellow, Society of Actuaries

February 17, 2012

KPMG

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Legislative Assembly, Province of Saskatchewan

We have audited the accompanying financial statements of Saskatchewan Telecommunications Pension Plan, which comprise the statement of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, the statements of changes in net assets available for benefits and changes in pension obligations for the years ended December 31, 2011 and December 31, 2010, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Saskatchewan Telecommunications Pension Plan as at December 31, 2011, December 31, 2010 and January 1, 2010, and the changes in its net assets available for benefits and changes in its pension obligations for the years ended December 31, 2011 and December 31, 2010 in accordance with Canadian accounting standards for pension plans.

KPMG LLP

Chartered Accountants

March 27, 2012
Regina, Canada

STATEMENT OF FINANCIAL POSITION

As at Thousands of dollars	December 31, 2011	December 31, 2010	January 1, 2010
Assets			
Cash	**$33**	$67	$59
Accrued investment income	**7,713**	4,121	3,717
Contributions receivable			
Employee	**-**	1	6
Employer	**1**	3	4
Investments (Note 5)	**907,704**	942,643	893,658
	915,451	**946,835**	897,444
Liabilities			
Accounts payable	**1,167**	1,167	1,138
Net assets available for benefits	**914,284**	945,668	896,306
Pension obligations (Note 10)	**1,130,310**	1,050,704	976,755
Deficit	**($216,026)**	($105,036)	($80,449)

See accompanying notes to the financial statements

Approved by the Pension Board

Dale Hillmer – Chairperson

Dale Baron – Member

Mike Anderson – Member

Larry Bolster – Member

Brian Renas – Member

March 27, 2012

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

For the year ended December 31 Thousands of dollars	2011	2010
Net assets available for benefits, beginning of year	**$945,668**	$896,306
Increase in assets		
Investment income (Note 6)	**27,026**	23,758
Unrealized increase in fair value of investments	**-**	77,155
Contributions (Note 7)	**16,203**	16,829
Total increase in assets	**43,229**	117,742
Decrease in assets		
Unrealized decrease in fair value of investments	**5,453**	-
Benefits paid (Note 8)	**66,408**	65,849
Administration expenses (Note 9)	**2,752**	2,531
Total decrease in assets	**74,613**	68,380
Net assets available for benefits, end of year	**$914,284**	$945,668

See accompanying notes to the financial statements

STATEMENT OF CHANGES IN PENSION OBLIGATIONS

For the year ended December 31 Thousands of dollars	**2011**	2010
Pension obligations, beginning of year	**$1,050,704**	$976,755
Increase in pension obligations		
Interest accrued on pension obligations	**53,475**	56,731
Benefits accrued	**1,075**	1,693
Impact of assumption changes (Note 10)	**118,361**	81,374
	172,911	139,798
Decrease in pension obligations		
Benefits paid (Note 8)	**66,408**	65,849
Experience gain (Note 10)	**26,897**	-
	93,305	65,849
Pension obligations, end of year	**$1,130,310**	$1,050,704

See accompanying notes to the financial statements

Notes to Financial Statements

Note 1 - Description of the Plan

The following description of the Saskatchewan Telecommunications Pension Plan (the Plan) is a summary only. For more complete information, reference should be made to the Saskatchewan Telecommunications Pension Plan Text.

General

The Plan is a defined benefit plan maintained by Saskatchewan Telecommunications (the Corporation) for those employees who were hired prior to October 1, 1977 and who did not elect to transfer to the Public Employees' Pension Plan by October 1, 1978. Effective January 1, 1999, the Plan is governed by the Pension Benefits Act, 1992 (the Act). Prior to January 1, 1999 the Plan was governed by the Saskatchewan Telecommunication Superannuation Act and the Superannuation (Supplementary Provisions) Act. The Plan is registered under The Income Tax Act and The Pensions Benefits Act, 1992, registration #0360891, and is administered by a five person Board appointed by the Corporation and Union.

Funding

The Plan is funded on the basis of actuarial valuations, which are performed at least every three years. The most recent actuarial valuation for funding purposes was performed as of December 31, 2010.

The provincial government implemented amendments to *The Pension Benefits Regulations, 1993*, effective September 11, 2009, to provide temporary relief from solvency deficiency funding for sponsors of defined benefit plans. This amendment allows a pension plan sponsor to elect a three year moratorium from funding a solvency deficit.

The Corporation has exercised this election as it relates to the solvency deficit of $146.6 million that was calculated in an actuarial valuation dated December 31, 2010. Solvency contributions will be suspended for the three year period following this date.

As the sponsor of the SaskTel Pension Plan, the Corporation is committed to meeting all funding requirements necessary to fulfill pension obligations to plan members. The Corporation has made this election to provide time for capital markets to recover from the market declines of the last few years. If a solvency deficit remains at the end of the three year moratorium, the Corporation will be required to resume funding at that time.

The Corporation will continue to monitor the solvency position of the Plan and can, at any time, begin to fund again if necessary.

Plan members are required to contribute to the Plan a percentage of their pensionable salary. They contribute 7%, 8% or 9% of salary depending on their age at the date of commencement of employment, less contributions to the Canada Pension Plan.
The financial health of the Plan is guaranteed by the Corporation, which contributes the additional amounts necessary to properly fund payment of benefits to Plan members. Effective January 1, 2011 the Corporation is contributing to the Plan at a rate of 358% of employee contributions. In addition, the Corporation made solvency deficit contributions of $15.3 million in 2011 ($15.3 million in 2010).

Note 1 - Description of the Plan, continued

Benefits

The Corporation guarantees the payment of the pension benefits payable under the terms of the Plan as amended from time to time, including:

Service pensions
The Corporation's defined benefit pension plan provides a full pension at age 65, at age 60 with at least 20 years of service, or upon completion of 35 years of service. The pension is calculated to be 2% times the average of the highest three years of employment earnings times the number of years of service up to a maximum of 35 years of service. A reduced pension may be opted for if certain age and years of service criteria are met. At age 65 members' pensions are reduced due to integration with the Canada Pension Plan.

Plan members may also elect to receive a joint annuity whereby a reduced pension is payable during the life of the member and/or the life of the spouse or dependents. When the plan member dies the spouse is entitled to receive a pension equal to 100% of the reduced pension.

If a member retires before age 65, the member may elect a varied allowance, whereby, an additional allowance is received until age 65 at which time the allowance will be reduced.

Survivor pensions
If a plan member dies after retiring, the surviving spouse receives 60% of the member's pension. Dependants under 18 receive 10%, to a maximum of 25% for all dependants combined.

Death refunds
A death refund is payable to the estate or designated beneficiary of a pensioner, in an amount equal to the difference between the pensioner's accumulated contributions and interest less the total sum of all allowances paid.

Refunds and transfers

Upon ceasing employment with the Corporation, plan members may elect either to receive a refund of their contributions with earned interest less any withheld income tax or to transfer accumulated contributions and earned interest to a registered retirement savings plan or to a registered retirement pension plan as permitted by the Act.

Income taxes

The Plan is a Registered Pension Plan as defined in The Income Tax Act and is not subject to income taxes.

Note 2 – Basis of presentation

a. **Statement of compliance**
The financial statements for the year ended December 31, 2011 have been prepared in accordance with Canadian Institute of Chartered Accountants (CICA) Handbook section 4600, Pension Plans (hereinafter referred to as Canadian accounting standards for pension plans). For matters not addressed in Section 4600 the Plan has chosen to adopt the relevant sections of International Financial Reporting Standards (IFRS). The new recommendations have been implemented retroactively and have no material impact on the financial statements previously prepared in accordance with Canadian Generally Accepted Accounting Principles.

b. **Basis of measurement**
The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and the pension obligation which is measured at the present value of the accrued benefit obligation.

c. **Functional and presentation currency**
These financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

d. **Use of estimates and judgments**
The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in assets, and increases and decreases in pension obligations during the reporting period. Actual results could differ from these estimates and changes in estimates are recorded in the accounting period in which they are determined. Information about assumptions and estimation of uncertainties that have a significant risk of resulting in a material adjustment within the next fiscal year includes measurement of the pension obligations.

Note 3 - Significant accounting policies

Basis of accounting

As stated in note 2(a), these are the Plan's first statements in accordance with Canadian accounting standards for pension plans.

The accounting policies set out below have been applied in preparing the financial statements for the year ended December 31, 2011, the comparative information presented in these financial statements for the year ended December 31, 2010, and in the preparation of the opening statement of financial position at January 1, 2010 (the Plan's date of transition).

These financial statements are prepared on the going concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity independent of the sponsor and plan members. They are prepared to assist Plan members and others in reviewing the activities of the Plan for the fiscal period but they do not portray the funding requirements of the Plan or the benefit security of individual Plan members.

Note 3 – Significant accounting policies, continued

Investments

Investments are stated in the financial statements at fair value. Bonds, pooled funds, and equities are determined with reference to year-end prices from recognized securities dealers. Fair values for mortgages are computed using yield to maturity calculations. Real estate investments are valued based on independent appraisals. Short term investments are valued at cost, which approximates fair value. Transactions are recorded as of the trade date.

Translation of foreign currencies

Transactions conducted in foreign currencies are translated into Canadian dollars using the exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in foreign currencies are adjusted to reflect exchange rates at year-end. Exchange gains and losses arising on the translation of monetary assets and liabilities are included in investment income.

New standards and interpretations not yet adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2011, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Plan.

Note 4 – Objectives, policies, and processes for managing capital

The Plan's capital consists of the investment assets of the Saskatchewan Telecommunications Pension Fund, managed under the authority of the Saskatchewan Telecommunications Pension Board.

The objective of the Plan is to meet the present and future pension obligations accumulated on behalf of the Plan's participants, while complying with the Pension Benefits Act, 1992 and Canada Revenue Agency regulations.
The Plan's permissible investments include Canadian equities (including rights, warrants, installment receipts and capital shares), U.S. and international equities, bonds of Canadian issuers, short term securities, mortgages, real estate and pooled funds. Any other type of investment is not permitted without prior approval of the Board.

The Plan's investment policy provides a framework for the prudent investment and administration of the Pension Fund for the purpose of managing capital assets. The policy provides the investment managers with a written statement of specific quality, quantity and rate of return standards. The policy is re-visited annually to ensure it is meeting the objectives of the Plan's capital management to ultimately meet all pension obligations.

The process for managing capital is accomplished by diversifying asset classes and further diversifying within each individual asset class.

Investment managers have been engaged to invest Plan assets based on guidelines approved by the Pension Board. The objective of these investment guidelines is to ensure that the Plan has sufficient assets to meet its future pension obligations and to generate sufficient cash flows to meet the required pension payments as they fall due. The investment guidelines are also designed to minimize interest rate risk and credit risk by ensuring that Plan assets are invested systematically in a diversified portfolio of

Note 4 – Objectives, policies, and processes for managing capital, continued

Canadian and foreign equities and bonds, within the parameters prescribed under The Income Tax Act and The Pensions Benefits Act, 1992.

Due to the long-term nature of the pension obligations and related cash flows, investment mix guidelines consider differences in the interest rate sensitivity of the Plan's assets and liabilities.

Note 5 - Investments

The Fund has the following investments:

Thousands of dollars	**December 31, 2011**	**December 31, 2010**	**January 1, 2010**
Short term investments	**$95,568**	$75,181	$61,235
Real estate	**4**	768	22,239
Pooled real estate	**94,587**	85,955	58,582
Canadian equities	**188,564**	227,913	227,525
Canadian pooled equity funds	**7,680**	12,814	12,672
US equities	**66,200**	62,724	65,879
Non-North American pooled equity funds	**138,290**	161,295	141,763
US pooled equity fund	**64,629**	80,524	70,980
Bonds	**157,073**	155,077	160,429
Pooled bond fund	**95,109**	80,392	72,354
	$907,704	$942,643	$893,658

Short term investments

Short term investments are comprised of treasury bills, notes and commercial paper with a market yield of 0.8% to 1.3% (2010 - 0.9% to 1.2%) and an average term to maturity of 59.1 days (2010 – 54.5 days). The Plan's investment policy states that investments must meet a minimum investment standard of "R-1" as rated by the recognized credit rating service. Other than the Government of Canada, no single issuer represents more than 15.1% (2010 – 28.7%) of the fair value of the short-term investment portfolio.

Real estate

Investments in real estate consist of Canadian commercial property.

Equities

Individual holdings are limited, by Fund policy, to a maximum of 10% of the market value of each investment manager's portfolio. At December 31, 2011, 7.7% (2010 – 5.1%) was the largest individual holding. Individual holdings are restricted, by Fund policy, to a maximum of 10% of the common stock in any corporation. At December 31, 2011, 0.052% (2010 - 0.05%) was the largest individual holding.

Note 5 – Investments, continued

Bonds

The Plan's investment policy states that corporate bonds must meet a minimum quality standard of BBB as rated by a recognized credit rating service. BBB rated bonds cannot exceed 15% of the market value of the bond portfolio. The Fund held 3.1% in BBB bonds as at December 31, 2011 (2010 - 2.9%).

Thousands of dollars	**2011 Fair Value**	**2011 Weighted Average Yield (%) to Maturity at Market**	**2011 Average Years to Maturity**	2010 Fair Value	2010 Weighted Average Yield (%) to Maturity at Market	2010 Average Years to Maturity
Government of Canada	**$24,317**	**3.57**	**25**	$30,817	3.96	21
Province of Saskatchewan	**7,818**	**4.40**	**20**	7,079	4.79	26
Other Provincial	**66,660**	**4.38**	**21**	67,405	4.85	23
Corporate	**58,278**	**4.66**	**25**	49,776	5.24	26
	$157,073	**4.36**	**23**	$155,077	4.80	24

Note 6 – Investment income

Thousands of dollars	**2011**	2010
Short term investments	**$830**	$411
Real estate	**7**	224
Canadian equities	**5,126**	5,660
Canadian pooled equity funds	**1,820**	1,336
US equities	**1,273**	1,500
Non-North American pooled equity funds	**4,007**	2,979
US pooled equity fund	**1,430**	217
Bonds	**7,787**	7,734
Pooled bond fund	**4,727**	3,672
Other	**19**	25
	$27,026	$23,758

Note 7 – Contributions

Thousands of dollars	**2011**	2010
Employer current service	**$664**	$1,128
Employer special	**15,341**	15,341
Total Employer	**16,005**	16,469
Employee required	**198**	360
	$16,203	$16,829

Note 8 – Benefits paid

Thousands of dollars	**2011**	2010
Retirement benefits	**$61,177**	$60,366
Death benefits	**5,231**	5,483
	$66,408	$65,849

Note 9 - Administration expenses

The Pension Plan Text permits the Board to engage technical and professional advisers, specialists and consultants for the purposes of managing, investing and disposing of Plan assets, with the related costs to be paid by the Plan. Other direct out of pocket expenses including custodial, investment manager and consulting fees are paid by the Plan. The costs to administer the Plan (staff salaries, actuarial and auditor costs) are also borne by the Plan and are reflected in the accompanying financial statements. The Board has developed, with the assistance of its consultant, specific investment policies and guidelines that the investment managers must adhere to when making investment decisions.

Thousands of dollars	**2011**	2010
Investment management	**$1,960**	$1,848
Plan administration	**242**	262
Brokerage commissions	**204**	186
Investment consultant	**160**	92
Custodian	**85**	76
Board	**26**	30
Audit	**25**	24
Actuary	**49**	11
Other	**1**	2
	$2,752	$2,531

Note 10 – Pension obligations

The present value of pension obligations was determined using the projected accrued benefit method prorated on services. An actuarial valuation to determine the pension obligation was performed at December 31, 2010 and extrapolated to December 31, 2011 by Aon Hewitt, a firm of consulting actuaries. An actuarial valuation is an assessment of the financial status of a pension plan and determines the pension obligation. It consists of the valuation of assets held by the Saskatchewan Telecommunications Pension Fund (the Fund) and the calculation of the actuarial present value of benefits to be paid under the terms of the Plan. The next valuation is due December 31, 2013.

Pension obligations are sensitive to changes in the discount rate, the inflation rate, salary escalation and future indexing. Based upon advice obtained from its actuaries and pension consultant, the Pension Board applies best estimate assumptions on these and other future economic events. The preparation of financial statements in accordance with Canadian accounting standards for pension plans requires management to make estimates and apply best estimate assumptions that affect the reported amount of assets and pension liabilities at the date of the financial statements. Actual results could differ from those estimates. Impact due to actuarial valuation measures the difference between actual experience and the best estimates during the period between actuarial valuations.

2011 Experience Gains/(Losses) & Impact of Assumption Changes Detail

Thousands of dollars	
*Experience gain	**$26,897**
**Loss due to impact of assumption changes	**(118,361)**
	($91,464)

*Net experience gains decreased the obligation by $26.9 million which resulted from the difference between the assumed experience of the Plan and what actually occurred; for example, actual retirements, deaths, and salary increases. Plan experience items only happen each time a new valuation is performed.

**Assumption changes increased the obligation by $118.4 million of which $112.3 million is due to the change in discount rate and $6.1 million is due to the change in other assumptions.

Following are the significant assumptions used to determine the actuarial present value of pension obligations as at December 31:

Significant Assumption	**2011**	2010
Discount Rate	**4.30%**	5.25%
Inflation	**2.50%**	2.50%
Salary Escalation	**3.00%**	3.00%
Future Indexing	**2.00%**	2.00%

Note 10 – Pension obligations, continued

The following illustrates the effect on the Plan's pension obligations of changing certain actuarial assumptions:

Long - Term Assumptions

	Discount Rate		Inflation		Salary Escalation		Future Indexing
	3.30%	5.30%	1.50%	3.50%	2.00%	4.00%	1.0%
(Thousands of dollars)							
Increase (decrease) in liability	$144,633	($118,796)	$59,858	($118,771)	($29)	$28	($134,192)

The Plan Text guarantees future indexing at 100% of CPI to a maximum of 2%. Therefore the impact of future indexing at a rate higher than 2% is not applicable.

The mortality rate was applied using the Uninsured Pensioner 1994 Table with mortality improvements projected to the year 2022.

The pension obligations are long term in nature. There is no ready market for settling the pension obligation and the Plan has no intention of settling this obligation in the near term. Therefore, determination of the fair value of pension obligations is not practical.

Note 11 - Financial instruments

The Plan's financial instruments include cash and short-term investments, bonds, equities, and real estate, which by their nature are subject to risks. The carrying amount of cash approximates fair value due to its immediate or short-term nature. The carrying amount of all other instruments is defined in the fair value hierarchy section of this note.

The risks that arise are market risk (consisting of interest rate risk, foreign exchange risk and equity price risk), credit risk, and liquidity risk. Significant financial risks are related to the Plan's investments. These financial risks are managed by having an investment policy, which is approved annually by SaskTel Pension Board. The investment policy provides guidelines to the Plan's investment managers for the asset mix of the portfolio regarding quality and quantity of debt and equity investments. The asset mix helps to reduce the impact of market value fluctuations by requiring investments in different asset classes and in domestic and foreign markets.

Market risk

Market risk represents the potential for loss from changes in the value of financial instruments. Value can be affected by changes in interest rates, foreign exchange rates and equity prices. Market risk primarily impacts the value of investments.

Note 11 - Financial instruments, continued

Interest rate risk

The Plan is exposed to market risk primarily through government bonds, corporate bonds, and money market instruments. Fair value adjustments will fluctuate based on changes in market prices. Bonds consist of mostly provincial & federal government and corporate bonds with varying maturities to coincide with pension plan obligations, and are managed based on this maturity profile and market conditions.

The Plan is exposed to changes in interest rates in its bonds and money market instruments. It is estimated that a 100 basis point increase/decrease in interest rates would decrease/increase net assets available for benefits by $37.5 million representing 10.8% of the carrying value of $347.7 million.

Foreign exchange risk

The Plan is subject to changes in the U.S./Canadian dollar exchange rate for U.S. denominated investments. Also, the Plan is exposed to Europe, Australasia and Far East (EAFE) currencies through its investment in the pooled equity fund. Exposure to both U.S. equities and non-North American equities is limited to a maximum 40% total of the market value of the total investment portfolio. At December 31, 2011, the Plan's exposure to U.S. equities was 14.4% (2010 - 15.2%) and its exposure to non-North American equities was 15.2% (2010 – 17.1%).

At December 31, 2011, a 10% strengthening (weakening) in the Canadian dollar versus U.S. dollar exchange rate would result in approximately a $6.6 million decrease (increase) in the net assets available for benefits. A 10% strengthening (weakening) in the Canadian dollar versus the EAFE currencies would result in approximately a $13.8 million decrease (increase) in the net assets available for benefits.

No more than 15% of the market value of the bond and debentures portfolio is allowed to be invested in bonds of foreign issuers, however no foreign bonds were held in 2011.

Equity price risk

The Plan is exposed to changes in equity prices in Canadian, U.S. and EAFE markets. Equities comprise 51.3% (2010 – 57.8%) of the carrying value of the Plan's total investments. Individual stock holdings are diversified by geography, industry type and corporate entity.

The Plan's equity price risk can be assessed using Value at Risk (VaR), a statistical technique that measures the potential change in an equity asset class. The following calculations are based on returns and volatility over the preceding four-year period, using a 95% confidence level. As such, it is expected that the annual change in the portfolio market value will fall no more than the values outlined in the following table 95% of the time (19 times out of 20 years), based on December 31 market values in each year. Stated differently, there is a 5% statistical probability that the equity portfolio values would fall by more than the declines noted below.

Asset Class Thousands of dollars	**2011**	2010
Canadian equities	**$(58,715)**	$(57,382)
US equities	**(37,148)**	(38,214)
Non-North American equities	**(46,685)**	(48,672)

Note 11 - Financial instruments, continued

Credit risk

The Plan's credit risk arises primarily from certain investments. The maximum credit risk to which it is exposed at December 31 is limited to the carrying value of the financial assets summarized as follows:

Thousands of dollars	**2011**	2010
Cash	**$33**	$67
Accrued investment income	**7,713**	4,121
Bonds and pooled bond funds	**252,182**	235,469
Short term investments	**95,568**	75,181
	$355,496	$314,838

Credit risk within investments is primarily related to bonds and short term investments. It is managed through the investment policy that limits debt instruments of high credit quality (minimum rating for bonds is BBB, money market instruments is R-1) along with limits to the maximum notional amount of exposure with respect to any one issuer. Credit ratings for bonds and pooled bond funds are as follows:

	2011		2010	
	Thousands of dollars		Thousands of dollars	
Credit Rating	Fair Value	% of Portfolio	Fair Value	% of Portfolio
AAA	**$104,292**	**41.4**	$126,314	53.7
AA	**68,683**	**27.2**	64,797	27.5
A	**71,453**	**28.3**	37,426	15.9
BBB	**7,754**	**3.1**	6,932	2.9
	$252,182	**100%**	$235,469	100%

Within bond investments, there are no holdings from one issuer, other than the Government of Canada or a Canadian province, over 10% of the market value of the combined bond and short-term investment portfolios. No holding of one corporate issuer is over 2.4% of the market value of the bond portfolio.

Through its custodian, the Plan participates in an investment security lending program. Collateral of at least 105% of market value of the loaned securities is held for the loan - this collateral is marked to market on a daily basis. In addition, the custodian provides indemnification against any potential losses in the securities lending program. At December 31, 2011, the Plan had $122.3 million (2010 - $96.8 million) of securities loaned under the program and held collateral of $128.4 million (2010 - $101.7 million).

Liquidity risk

Liquidity risk is the risk that the Plan is unable to meet its financial obligations as they fall due. This risk is mitigated through daily management of anticipated cash flows.

Note 11 - Financial instruments, continued

Fair value hierarchy

Fair value is best evidenced by an independent quoted market price for the same instrument in an active market. An active market is one where quoted prices are readily available, representing regularly occurring transactions. The determination of fair value requires judgment and is based on market information where available and appropriate. Fair value measurements are categorized into levels within a fair value hierarchy based on the nature of the inputs used in the valuation.

Level 1 – Where quoted prices are readily available from an active market.
Level 2 – Valuation model not using quoted prices, but still using predominantly observable market inputs, such as market interest rates.
Level 3 – Where valuation is based on unobservable inputs. There were no items measured at fair value using level 3 in 2010 or 2011.

There were no items transferred between levels in 2010 or 2011

		2011			2010	
Thousands of dollars	**Level 1**	**Level 2**	**Total**	Level 1	Level 2	Total
Bonds	**$ -**	**$157,073**	**$157,073**	$ -	$155,077	$155,077
Pooled bond fund	**95,109**	**-**	**95,109**	80,392	-	80,392
Canadian equities	**188,564**	**-**	**188,564**	227,913	-	227,913
Canadian pooled equity funds	**7,680**	**-**	**7,680**	12,814	-	12,814
US equities	**66,200**	**-**	**66,200**	62,724	-	62,724
Non-North American pooled equity funds	**138,290**	**-**	**138,290**	161,295	-	161,295
Real estate	**94,587**	**4**	**94,591**	85,955	768	86,723
US pooled equity fund	**64,629**	**-**	**64,629**	80,524	-	80,524
Short term investments	**1,255**	**94,313**	**95,568**	1,670	73,511	75,181
	$656,314	**$251,390**	**$907,704**	$713,287	$229,356	$942,643

Note 12 - Investment performance

The investment manager makes the day to day decisions of whether to buy or sell specific investments in order to achieve the long-term investment performance objectives set by the Board. It is these long-term investment performance objectives that are used to assess the performance of the investment manager.

The investment performance objectives are set by the Board. The Board reviews the investment performance of the Fund in terms of the performance of the benchmark portfolio over rolling 4-year periods. For the four years ending December 31, 2011, the Fund had an annualized gross rate of return of 2.4%. The investment benchmark for this four-year period was 2.1%.

The annual rate of return generated by the Fund in 2011 was 1.9% as compared to the investment benchmark of 2.5%. The 2010 return was 11.7% vs the benchmark of 10.7%.

Note 13 - Related party transactions

All Government of Saskatchewan agencies such as ministries, corporations, boards and commissions are related since all are controlled by the Government.

The Plan holds Province of Saskatchewan bonds with a total face value of $5.4 million (2010 - $5.7 million) and a total fair value of $7.8 million (2010 - $7.1 million). Income totaled $0.3 million (2010 - $0.4 million).

Account balances resulting from the above transactions are included in the statement of net assets available for benefits and are settled on normal trade terms.

During the year the Plan paid $0.3 million (2010 - $0.3 million) to the Corporation for administration fees.

SCHEDULE OF ACCUMULATED NET ASSETS AVAILABLE FOR BENEFITS FROM THE PERIOD MAY 1, 1928 TO DECEMBER 31, 2011

Thousands of dollars

CUMULATIVE INCREASE IN ASSETS		
Investment income		**$953,231**
Cumulative increase in fair value of investments		**482,278**
Contributions		
Employers'		**367,630**
Employees' - Active	**6,999**	
- Retired, deferred	**103,590**	
- Resigned	**15,712**	
- Transferred	**649**	**126,950**
Early and enhanced retirement adjustments		**19,450**
Employer withdrawal		**(34,200)**
Employees' interest on back contributions		**729**
		1,916,068
CUMULATIVE DECREASE IN ASSETS		
Benefits paid to pensioners and beneficiaries	**969,460**	
Refund of employees' contributions	**12,502**	
Interest on refunded employees' contributions	**4,772**	
Transfer of contributions	**7,623**	
Transfer of interest on contributions	**7,281**	
Supplementary retirement payments to employees not eligible for pension	**93**	
Death benefits (matching amount)	**36**	
Interest on employee's savings plan	**17**	**1,001,784**
NET ASSETS AVAILABLE FOR BENEFITS AT DECEMBER 31, 2011		**$914,284**