



Actuarial Report on the Saskatchewan Telecommunications Pension Plan as at March 31, 2017

March 29, 2018

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Executive Summary

An actuarial valuation has been prepared for the Saskatchewan Telecommunications Pension Plan (the "Plan") as at March 31, 2017 for the primary purpose of establishing a funding recommendation for the Plan until the next actuarial valuations is performed. This section provides an overview of the important results and the key inputs to the valuation process. The next actuarial valuation for the purposes of developing funding requirement should be performed no later than as at March 31, 2020.

Summary of Principal Results

| | March 31, 2017 | | December 31, 2013 | |
|-------------------|----------------------|-------------------------|---------------------|-------------------------|
| | Going Concern | Solvency | Going Concern | Solvency |
| Assets | \$ 1,030,246,000 | \$ 1,029,746,000 | \$ 982,435,000 | \$ 981,935,000 |
| Liabilities | <u>1,007,990,000</u> | <u>1,187,980,000</u> | <u>972,871,000</u> | <u>1,137,669,000</u> |
| Surplus/(Deficit) | \$ 22,256,000 | \$ (158,234,000) | \$ 9,564,000 | \$ (155,734,000) |
| Funded Ratio | 102.2% | 86.7% | 101.0% | 86.3% |

Current Service Cost

As in the previous actuarial valuation, all active members have attained the service cap of 35 years. In accordance with the plan text, active members are not to accrue any further benefits and, as such, the current service cost for future Plan years is nil.

Key Assumptions

The principal assumptions to which the valuation results are most sensitive are outlined in the following table.

| | March 31, 2017 | | December 31, 2013 | |
|--------------------------|--|--|--|--|
| | Going Concern | Solvency | Going Concern | Solvency |
| Net Discount rate | 5.00% | Annuity purchases: 3.2% Transfers: 2.3% for 10 years, 3.9% thereafter | 6.35% | Annuity purchases: 3.9% Transfers: 3.0% for 10 years, 4.6% thereafter |
| Inflation rate | 2.25% | n/a | 2.5% | n/a |
| Mortality table | CPM 2014 Private (Adjusted 100% for males and 110% for females) with Improvement Scale CPM-B | CPM 2014 Combined with Improvement Scale CPM-B - unadjusted | UP94@2014 with generational projection using Scale CPM-B | UP94 with generational projection using Scale AA |
| Retirement rates | Earliest unreduced retirement age | Earliest reduced or unreduced retirement age | Earliest unreduced retirement age | Earliest reduced or unreduced retirement age |

Respectfully submitted,



David Larsen, FSA, FCIA
Partner



Johanan Schmuecker, FSA, FCIA
Senior Consultant

March 29, 2018

Section 1: Introduction

Purpose and Terms of Engagement

We have been engaged by Saskatchewan Telecommunications ("SaskTel") to conduct a valuation of the Plan as at March 31, 2017 based on the actuarial assumptions and methods summarized herein. More specifically, the purposes of the valuation are to:

- determine the financial position of the Plan on a going concern basis as at March 31, 2017;
- determine the financial position of the Plan on a solvency basis as at March 31, 2017;
- determine the funding requirements of the Plan as at March 31, 2017; and
- provide the necessary actuarial funding recommendation under the *Pension Benefits Act, Saskatchewan* (the "Act") and the *Income Tax Act*.

As per our engagement, we have summarized the results of this actuarial valuation along with the ensuing opinions and recommendations in this report to SaskTel. The results of this report may not be appropriate for accounting purposes or any other purpose not listed above.

While we have been engaged by SaskTel to conduct this actuarial valuation, we note that the users of our work may well extend to parties external to SaskTel, notably the provincial and federal pension regulators and the Plan members. Out of respect for SaskTel's confidentiality, however, we shall not undertake to communicate the terms of our engagement or results of our work with such other users unless so directed by SaskTel.

Summary of Changes Since the Last Valuation

The last such valuation in respect of the Plan was performed as at December 31, 2013. Since the time of the last valuation, the following changes have occurred:

- The going concern discount rate, mortality table, inflation rate, and indexing assumptions were changed (see Appendix C for details); and
- The Plan's yearend date was changed from December 31st to March 31st.

Information and Inputs

In order to prepare our valuation, we have relied upon the following information:

- Membership data compiled as at March 31, 2017 by SaskTel;
- Asset data taken from the Plan's financial statements; and
- Information concerning events occurring subsequent to March 31, 2017 and prior to the date of the report as identified below.

Furthermore, the actuarial assumptions and methods have been chosen to reflect our understanding of SaskTel's desired funding objectives with due respect to accepted actuarial practice in Canada and regulatory constraints.

Subsequent Events

On March 22, 2018, the Plan trustees approved the best estimate valuation assumptions as well as a provision for adverse deviation equal to 12% of best estimate liabilities. This provision increased from the 10% provision for adverse deviation included in our valuation report dated November 21, 2017, and therefore this report reflects the updated provision for adverse deviation equal to 12% of best estimate liabilities. This change resulted in an increase in going concern liabilities equal to \$18,000,000 as at March 31, 2017.

On February 28, 2018, the Plan trustees approved a change in the long-term target asset mix in accordance with their de-risking strategy. Effective February 28, 2018, this change would reduce the long-term expected return on assets and therefore would also reduce the discount rate for future actuarial valuations. As such this change has not been reflected in these valuation results. However, it should be noted that the reduction in discount rate as a result of the asset mix change would not result in a going concern unfunded liability and therefore there would be no changes to the contribution requirements described in Section 4 of this report.

As of the date of this report, we have not been made aware of any other subsequent events which would have an effect on the results of this valuation. However, the following points should be noted in this regard:

- Actual experience deviating from expected after March 31, 2017 will result in gains or losses which will be reflected in the next actuarial valuation report; and
- To the best of our knowledge, the results contained in this report are based on the regulatory and legal environment in effect at the date of this report and do not take into consideration any potential changes that may be currently under review. To the extent that actual changes in the regulatory and legal environment transpire, any financial impact on the Plan as a result of such changes will be reflected in future valuations.

Section 2: Going Concern Valuation Results

Going Concern Financial Position of the Plan

The going concern valuation provides an assessment of the Plan's financial position at the valuation date on the premise that the Plan continues on into the future indefinitely. On the basis of the plan provisions, membership data, going concern assumptions and methods and asset information described in the Appendices, the going concern financial position of the Plan as at March 31, 2017 is shown in the following table. The results as at December 31, 2013 are also shown for comparison purposes.

| | March 31, 2017 | December 31, 2013 |
|---|-------------------------|--------------------------|
| Assets | | |
| Market Value of Assets | \$ 1,030,246,000 | \$ 982,435,000 |
| Going Concern Liabilities | | |
| Active and Disabled members | \$ 23,579,000 | \$ 39,354,000 |
| Superannuates | 782,443,000 | 761,870,000 |
| Spouses | 63,147,000 | 53,707,000 |
| Provisions for future expenses to be paid from the Plan | 30,822,000 | 29,497,000 |
| Provisions for adverse deviation | <u>107,999,000</u> | <u>88,443,000</u> |
| Total Liabilities | \$ 1,007,990,000 | \$ 972,871,000 |
| Surplus/(Unfunded Liability) | \$ 22,256,000 | \$ 9,564,000 |
| Funded Ratio | 102.2% | 101.0% |

Change in Financial Position

During the period from December 31, 2013 to March 31, 2017, the financial position of the Plan changed from a surplus of \$9,564,000 to a surplus of \$22,256,000. The major components of this change are summarized in the following table.

Reconciliation of the Financial Position under Valuation For the Period from December 31, 2013 to March 31, 2017

| | |
|---|-----------------------|
| Surplus as at December 31, 2013 | \$ 9,564,000 |
| Removal of explicit provision for adverse deviations | <u>88,443,000</u> |
| Best Estimate Surplus as at December 31, 2013 | \$ 98,007,000 |
| Interest | 22,995,000 |
| Special payments with interest | <u>0</u> |
| Expected Surplus as at March 31, 2017 | \$ 121,002,000 |
| Change in liabilities due to experience gains/(losses) | |
| Gain due to actuarial return on assets greater than expected | 77,481,000 |
| Gain due to pensioner indexing less than expected | 16,067,000 |
| Gain due to retirement experience different than expected | 8,699,000 |
| Loss on pensioner mortality experience | (530,000) |
| Loss due to actual expenses greater than expected | <u>(1,127,000)</u> |
| Surplus as at March 31, 2017 before assumption changes | \$ 221,592,000 |
| Change in indexing assumption | 30,362,000 |
| Change in mortality assumption | (12,146,000) |
| Change in discount rate assumption | <u>(109,553,000)</u> |
| Best Estimate Surplus as at March 31, 2017 | \$ 130,255,000 |
| Addition of explicit provision for adverse deviations | <u>(107,999,000)</u> |
| Surplus as at March 31, 2017 | \$ 22,256,000 |

Going Concern Valuation Sensitivity Results

In accordance with the Canadian Institute of Actuaries Standards of Practice specific to pension plans, the table below presents the sensitivity of the best estimate going concern liabilities (excluding the provision for future expenses) and the total current service cost of using a discount rate 1% lower than that used for the going concern valuation.

| | Valuation Basis March 31, 2017 | Based on Rate of 1% Lower | Effect \$ | % |
|----------------------------------|---|--------------------------------------|----------------------|----------|
| Going Concern liabilities | \$ 869,169,000 | \$ 962,506,000 | \$ 93,337,000 | 10.7% |
| Current service cost | n/a | n/a | n/a | n/a |

Note that using a discount rate 1% higher than that assumed would result in a comparable reduction in the Plan's liabilities.

Section 3: Solvency Valuation Results

Solvency Financial Position of the Plan

The solvency valuation is a financial assessment of the Plan that is required by the *Act* and is performed in accordance with requirements prescribed by that legislation. It is intended to provide an assessment of the Plan's financial position at the valuation date on the premise that certain obligations as prescribed by the *Act* are settled on the valuation date for all members.

The financial position of the Plan on the solvency basis is measured by comparing the value of the assets with the actuarial liability for benefits earned for service up to the valuation date assuming the Plan is terminated on the valuation date plus an allowance for estimated wind-up expenses.

On the basis of the plan provisions, membership data, solvency assumptions and methods and asset information described in the Appendices, as well as the requirements of the *Act*, the solvency financial position of the Plan as at March 31, 2017 is shown in the following table. The solvency financial position of the Plan as at December 31, 2013 is shown for comparison purposes.

| | March 31, 2017 | December 31, 2013 |
|--------------------------------------|-------------------------|-------------------------|
| Assets | | |
| Solvency assets | \$ 1,030,246,000 | \$ 982,435,000 |
| Estimated wind up expenses | <u>(500,000)</u> | <u>(500,000)</u> |
| Total Assets | \$ 1,029,746,000 | \$ 981,935,000 |
| Solvency Liabilities | | |
| Active and Disabled members | \$ 33,303,000 | \$ 57,072,000 |
| Retired members | 1,071,286,000 | 1,013,532,000 |
| Survivors | <u>83,391,000</u> | <u>67,065,000</u> |
| Total Liabilities | \$ 1,187,980,000 | \$ 1,137,669,000 |
| Solvency Surplus/(Deficiency) | \$ (158,234,000) | \$ (155,734,000) |
| Solvency Ratio | 86.7% | 86.3% |

Solvency Ratio

The solvency ratio is the lesser of 1.0 or the ratio of the solvency assets (excluding wind-up expenses and present value of special payments) to the solvency liabilities (including wind-up expenses). If the solvency ratio is less than 1.0, certain conditions and restrictions, as prescribed by the Act, must be applied to the transfer of the commuted value of benefits from the Plan. Essentially, a transfer equal to the solvency ratio multiplied by the total commuted value can be made. The residual amount cannot be transferred out until either:

- (a) a special payment (over the amounts being paid in to the Plan to amortize the solvency deficiency) in the amount of the residual has been made to the Plan;
- (b) a subsequent valuation of the Plan discloses a solvency ratio of 1.0; or
- (c) five years have elapsed.

If the residual amount is less than 5% of the YMPE ($\$55,300 \times 5\% = \$2,765.00$ for 2017) and the total of all such residual amounts is less than 5% of the market value of assets, then the above restrictions do not apply.

The solvency ratio is determined as follows:

| | |
|---|----------------------|
| | \$ |
| Market value of assets, less wind-up expenses | 1,029,746,000 |
| Solvency liabilities | <u>1,187,980,000</u> |
| Ratio | 0.867 |

Since the ratio of the solvency assets to the solvency liabilities is less than 1.0 as at March 31, 2017, the above restrictions on transfers apply.

Solvency Valuation Sensitivity Results

In accordance with the Canadian Institute of Actuaries Standards of Practice specific to pension plans, the table below presents the sensitivity of the solvency liabilities to using a discount rate of 1% lower than that used for the solvency valuation.

| | Valuation Basis March 31, 2017 | Based on Rate of 1% Lower | Effect \$ | % |
|----------------------|-----------------------------------|------------------------------|----------------|-------|
| Solvency liabilities | \$ 1,187,980,000 | \$ 1,348,655,000 | \$ 160,675,000 | 13.5% |

Note that using a discount rate 1% higher than that assumed would result in a comparable reduction in the solvency liabilities.

Incremental Cost on a Solvency Basis

The incremental cost on a solvency basis represents the present value at March 31, 2017 of the expected aggregate change in the solvency liabilities between March 31, 2017 and the next calculation date, which is March 31, 2020. Appendix D gives more details on the calculation methodology and on assumptions.

Based on this methodology and on these assumptions, the incremental cost on a solvency basis, for the period from March 31, 2017 to March 31, 2020, is (\$18,060,000).

Note that the incremental cost does not form part of the contribution requirements of the Plan.

Section 4: Contribution Requirements

Contribution Requirements in Respect of the Normal Cost

The annual going concern cost of benefits in respect of service accruing after the valuation date is known as the normal cost. As stated in the introduction, all current active members have attained the cap of 35 years of service completed, and therefore there is no current service cost for future Plan years.

Contribution Requirements in Respect of Deficiencies

Since the Plan has a going concern surplus, no special payments are required in respect of the going concern valuation.

Since the Plan is a Specified Plan under the Pension Benefits Regulations (Saskatchewan), 1993, the solvency deficiency of \$158,234,000 is not required to be amortized. However, if the Plan were not a Specified Plan, minimum monthly special payments from April 2017 through March 2022 of \$2,850,000 would be required to fund this deficiency over 5 years.

Excess Surplus

The *Income Tax Act* prescribes the maximum going concern surplus (before contingency reserves) that may be retained by a plan while employer contributions continue. In general, this maximum is defined as 25% of the going concern actuarial liability.

The maximum surplus that can be retained in the Plan as at March 31, 2017 is determined as 25% of \$1,007,990,000, or \$251,998,000. Since the going concern surplus of \$22,256,000 is less than the maximum surplus, there is no excess surplus.

Minimum Employer Contributions

Under applicable legislation, the minimum amount that an employer must contribute is equal to:

- the employer's current service cost in respect of service accruing after the valuation date; plus
- special amortization payments required to amortize any going concern unfunded liability over at most 10 years from the valuation date the unfunded liability first arose; less
- where applicable, any portion of the going concern surplus which is used to meet a plan's current service costs.

The employer contributions recommended in this valuation report are at least equal to the legislated minimum requirements.

Maximum Employer Contribution

Under applicable legislation, the maximum amount that an employer is allowed to contribute is equal to:

- the employer's current service cost in respect of service accruing after the valuation date; plus
- the lump sum amount to eliminate any unfunded liabilities and/or solvency deficiencies that exist at the valuation date; less
- any excess surplus as permitted.

The employer contributions recommended in this valuation report do not exceed the legislated maximum amounts.

Section 5: Actuarial Certificate

Actuarial Opinion, Recommendations and Certification for the Saskatchewan Telecommunications Pension Plan

Registration # 0360891

Opinion

This actuarial certification forms an integral part of the actuarial valuation report for the Plan as at March 31, 2017. We confirm that we have prepared an actuarial valuation of the Plan as at March 31, 2017 for the purposes outlined in the Introduction section to this report and consequently:

We Hereby Recommend That:

1. The employer should contribute the amounts recommended in Section 4 of this report.
2. The next actuarial valuation for the purpose of developing a funding recommendation be performed no later than as at March 31, 2020.

We Hereby Certify That, in Our Opinion:

1. With respect to the purposes of determining the Plan's financial position on a going concern basis as at March 31, 2017:
 - a) The Plan has a going concern surplus (excess of assets over liabilities) of \$22,256,000 as at March 31, 2017, based on total assets of \$1,030,246,000 and liabilities of \$1,007,990,000.
 - b) There is no excess surplus as defined by Section 147.2(2) of the *Income Tax Act* in the Plan at March 31, 2017.
2. With respect to the purpose of determining the Plan's financial position on a solvency basis:
 - a) The Plan has a solvency deficiency of \$158,234,000 as at March 31, 2017, determined as solvency assets of \$1,029,746,000 less solvency liabilities of \$1,187,980,000.
 - b) The solvency ratio is 0.867 at March 31, 2017.
 - c) The Plan's liabilities would exceed the Plan's assets by \$158,234,000 if the Plan was terminated and wound-up as at March 31, 2017.

3. With the respect to the purpose of determining the Plan's funding requirements:
 - a) The Plan's going concern current service cost for future Plan years commencing in April 2017 is nil. This is the result of all current active members attaining the maximum service of 35 years allowed under the Plan.
 - b) Since the Plan has a going concern surplus and is not required to fund the solvency deficiency, no special payments are required.
 - c) The contributions as recommended in this report are expected to be sufficient to satisfy the Plan's funding requirements.
 - d) The employer contributions recommended in this report are eligible contributions under Section 147.2(2) of the *Income Tax Act*.
4. For the purposes of the valuation:
 - The data on which this valuation is based are sufficient and reliable;
 - The assumptions used are appropriate; and
 - The actuarial cost methods and the asset valuation methods used are appropriate.
5. This report and its associated work have been prepared, and our opinion given, in accordance with accepted actuarial practice in Canada and in compliance with the requirements outlined in subparagraphs 147.2(2)(a)(iii) and (iv) of the *Income Tax Act*.
6. Notwithstanding the above certifications, emerging experience differing from the assumptions will result in gains or losses that will be revealed in subsequent valuations.



David R. Larsen, FSA, FCIA
Partner



Johanan Schmuecker, FSA, FCIA
Senior Consultant

March 29, 2018

Appendix A: Assets

This appendix contains a summary of the assets of the pension fund by asset type as at the date of this valuation. Contributions are invested in and benefit payments are paid from the Saskatchewan Telecommunications Superannuation Fund.

The assets of the Plan are managed by the following firms with their respective mandates.

| Firm | Mandate |
|--|-------------------------------------|
| RBC Investment Services | Custodian |
| Greystone Capital Management Inc. | Bonds, Real Estate, Short-term |
| Beutel Goodman & Company Ltd. | Canadian Equities |
| TD Asset Management | U.S. Equities Index |
| Grantham, Mayo, Van Otterloo & Company | All Country excluding U.S. Equities |

The custodian is responsible for processing and handling of investment transactions. The investment managers are responsible for managing, investing, and disposing of the Plan's assets. This type of arrangement governs only the investment of the assets deposited into the fund and in no way guarantees the benefits provided under the Plan or the costs of providing such benefits. Any excess income or, in fact, any other profit caused by the actual plan experience varying from the actuarial assumptions will accrue to the fund. It is, of course, equally true that any losses due to variations of actual experience from the actuarial assumptions will emerge as a liability of the Plan, which will either cause a reduction in the surplus generated from other sources or require an increase in contributions to maintain the same benefit level.

The asset data required for the valuation was taken from the Plan's audited financial statements which were supplied by SaskTel. The valuation included an examination of the asset data to test for general reasonableness, internal consistency, consistency with asset data provided in prior years, a comparison of the contributions and disbursements reported with those expected to be made as well as a reconciliation with the previous valuation's asset data. These tests demonstrated that the asset data is sufficient and reliable for the purposes of the valuation.

Statement of Investment Policies and Goals

The following is a summary of the asset mix requirements of the pension fund, as extracted from the Plan's Statement of Investment Policies and Goals.

Combined Fund Asset Mix

Taking into consideration the investment and risk philosophy of the Fund, the following asset mix has been proposed to meet the various investment objectives of the Fund and is effective January 1, 2017:

| Assets | Minimum % | Benchmark* % | Maximum % |
|-----------------------------|---------------------|------------------------|---------------------|
| Equities | | | |
| Canadian equities | 9.5 | 12.5 | 15.5 |
| US equities | 9.5 | 12.5 | 15.5 |
| Non-North American equities | 12.0 | 17.0 | 22.0 |
| Emerging Markets equities | <u>2.0</u> | <u>3.0</u> | <u>4.0</u> |
| Total Equities | 40.0 | 45.0 | 50.0 |
| Real Estate | 10.0 | 15.0 | 20.0 |
| Fixed Income | | | |
| Canadian Custom Bonds | 33.0 | 38.0 | 43.0 |
| Short-term investments | <u>0.0</u> | <u>2.0</u> | <u>10.0</u> |
| Total Fixed Income | 30.0 | 40.0 | 50.0 |
| Total Fund | | 100.0 | |
| Equities | | | |

For the purpose of the total asset mix described above, the investment managers' asset class pooled funds are deemed to be 100% invested, even though these funds may contain a portion held in cash and cash equivalent instruments.

Asset Allocation

The following is a summary of the composition of the Plan's assets by asset type as reported by SaskTel's audited financial statements as at March 31, 2017, including any in-transit amounts at March 31, 2017. For comparison purposes, the composition at December 31, 2013 is also shown.

| Assets | Market Value | | | |
|-------------------------------------|-------------------------|--------------|-----------------------|--------------|
| | March 31, 2017 | % | December 31, 2013 | % |
| Total bonds | \$ 394,189,000 | 38.3 | \$ 270,193,000 | 27.5 |
| Real estate | \$ 152,776,000 | 14.8 | \$ 131,488,000 | 13.4 |
| Equities | | | | |
| Canadian | \$ 125,180,000 | 12.2 | \$ 151,814,000 | 15.4 |
| US | 129,920,000 | 12.6 | 164,904,000 | 16.8 |
| Non-North American | <u>212,639,000</u> | <u>20.6</u> | <u>259,550,000</u> | <u>26.4</u> |
| Total equities | \$ 467,739,000 | 45.4 | \$ 576,268,000 | 58.6 |
| Short term investments | <u>\$ 15,555,000</u> | <u>1.5</u> | <u>\$ 5,252,000</u> | <u>0.5</u> |
| Total Market Value of Assets | \$ 1,030,259,000 | 100.0 | \$ 983,201,000 | 100.0 |

Market Value of Assets

The following adjustments were made to the market value of the fund for this valuation.

| | |
|--|-------------------------|
| Market Value before Adjustments | \$ 1,030,259,000 |
| Cash | 752,000 |
| Accrued investment income | 360,000 |
| Accounts receivable | - |
| Accounts payable | <u>(1,125,000)</u> |
| Net assets available for benefits | \$ 1,030,246,000 |

A reconciliation of the invested assets during the intervaluation period is summarized below:

| | 2014 | 2015 | Jan. 1, 2016 to Mar. 31, 2017 |
|--|-------------------------|-------------------------|----------------------------------|
| Market value at beginning of year | \$ 982,435,000 | \$ 1,017,398,000 | \$ 1,022,279,000 |
| Employee contributions | - | - | - |
| Employer contributions | - | - | - |
| Investment income including | | | |
| realized and unrealized gains | 105,932,000 | 76,761,000 | 96,598,000 |
| Lump-sum payments | - | (909,000) | (479,000) |
| Pension payments | (67,842,000) | (67,746,000) | (84,295,000) |
| Administrative costs | (3,127,000) | (3,225,000) | (3,857,000) |
| Market value at end of year | \$ 1,017,398,000 | \$ 1,022,279,000 | \$ 1,030,246,000 |
| Net Rate of Return | 10.8% | 7.5% | 9.5% |

Gross Rates of Return

The gross rates of return earned by the market value of the fund in each of the last twelve years are as follows:

| Gross Market Rate of Return | |
|------------------------------------|---------|
| (%) | |
| 1/1/2016 - 3/31/2017 | 9.5% |
| 2015 | 7.5% |
| 2014 | 10.8% |
| 2013 | 14.4% |
| 2012 | 10.1% |
| 2011 | 1.6% |
| 2010 | 11.6% |
| 2009 | 13.6% |
| 2008 | (16.0%) |
| 2007 | 5.8% |
| 2006 | 13.1% |
| 2005 | 14.2% |

Appendix B: Membership Data

Source of Data

Data as to the membership of the Plan was compiled as at March 31, 2017 and provided by SaskTel. The relevant data required as of March 31, 2017 to carry out this valuation was extracted from these records. The data was checked for consistency with the previous valuation, general reasonableness, internal consistency and reconciled with the previous valuation's membership data.

Data checks included, but were not limited to, a review of changes to annual pensions, review of salary increases, personal data (i.e. birth dates, dates of hire, etc) from the previous valuation to this valuation, service accrual and any duplicate records. The checks were reviewed with the Plan's administrator and appropriate adjustments were made.

Membership Reconciliation

| | Active and Disabled | Superannuates | Spouses | Total |
|--------------------------------|--------------------------------|----------------------|----------------|--------------|
| As at December 31, 2013 | 57 | 1,756 | 287 | 2,100 |
| New members/survivors | 0 | 0 | 0 | 0 |
| New pension from marital split | 0 | 1 | 0 | 1 |
| Deaths – to Spouse | (3) | (56) | 59 | 0 |
| Deaths – payments cease | (1) | (66) | (41) | (108) |
| Terminations – paid out | 0 | 0 | 0 | 0 |
| Terminations – to Deferred | 0 | 0 | 0 | 0 |
| Retirements | <u>(21)</u> | <u>21</u> | <u>0</u> | <u>0</u> |
| As at March 31, 2017 | 32 | 1,656 | 305 | 1,993 |

Membership Data

Active Members

| | March 31, 2017 | | | December 31, 2013 |
|---|-----------------------|----------------|--------------|--------------------------|
| | Males | Females | Total | Total |
| Membership | 19 | 13 | 32 | 57 |
| Average age | 62.5 years | 59.9 years | 61.5 years | 58.9 years |
| Average pensionable service | 42.2 years | 41.2 years | 41.8 years | 38.8 years |
| Percent of total | 59% | 41% | 100% | 100% |
| Average salary | \$91,756 | \$50,543 | \$75,013 | \$78,955 |
| Total employee contributions with interest | \$8,105,705 | \$3,739,511 | \$11,845,216 | \$17,291,283 |
| Expected average remaining service lifetime | 0.0 years | 0.0 years | 0.0 years | 0.0 years |

Superannuates

| | March 31, 2017 | December 31, 2013 |
|---|-----------------------|--------------------------|
| Membership | 1,656 | 1,756 |
| Percent female | 34% | 33% |
| Average age | 70.6 years | 68.2 years |
| Average annual lifetime pension (includes incentive pension) | \$32,742 | \$31,057 |
| Average annual lifetime incentive pension (non-indexed) | \$3,573 | \$3,555 |
| Number receiving lifetime incentive pension | 84 | 124 |
| Average annual CPP plus OAS bridge pension (indexed) | \$10,397 | \$10,077 |
| Number receiving CPP plus OAS bridge pension | 574 | 764 |
| Average annual bridge pension (non-indexed) | n/a | \$4,680 |
| Number receiving bridge pension (non-indexed) | 0 | 1 |
| Average period since retirement | 17.3 years | 14.9 years |

Survivors

| | March 31, 2017 | December 31, 2013 |
|--|-----------------------|--------------------------|
| Membership | 305 | 287 |
| Percent female | 90% | 89% |
| Average age of spouses | 77.9 years | 76.2 years |
| Average annual lifetime pension (includes varied pension) | \$20,806 | \$19,146 |
| Average annual bridge pension ¹ | \$8,021 | \$7,123 |

¹ For spouses in receipt of a bridge.

Appendix C: Going Concern Assumption and Methods

Assumptions and Methods

A member's entitlements under a pension plan are generally funded during the period over which service is accrued by the member. In other words, the cost of each member's benefits is allocated in some fashion over each member's service. An actuarial valuation provides an assessment of the extent to which allocations relating to periods prior to a valuation date (often referred to as the actuarial liabilities) are covered by the Plan's assets.

The going concern valuation provides an assessment of a pension plan on the premise that the Plan continues on into the future indefinitely. In order to prepare a going concern valuation, two important elements need to be established:

- going concern assumptions in respect of future events upon which a plan's benefits are contingent; and
- going concern methods which effectively determine the way in which a plan's costs will be allocated over the members' service.

Together, the going concern assumptions and methods provide a basis from which a plan's cost can be estimated and also help establish an orderly program for meeting the ultimate cost of a plan. The true cost of a plan, however, will emerge only as experience develops, investment earnings are received, and benefit payments are made.

This appendix summarizes the going concern assumptions and methods that have been adopted for the going concern valuation of the Plan at March 31, 2017. It is important to note that these assumptions and methods should be reviewed periodically to ensure that they adequately reflect the experience of the Plan and continue to satisfy the Plan's funding objectives. For purposes of this valuation, the going concern methods and assumptions were reviewed and changes were made to the discount rate, mortality, inflation rate, and indexing assumptions.

Provision for Adverse Deviation

For purposes of this going concern valuation, the provision for adverse deviation has been addressed by establishing an explicit dollar reserve rather than building conservatism into the going concern assumptions. Consequently, for this valuation:

- the going concern assumptions represent best estimate assumptions (i.e. they contain no provision for adverse deviation);
- the going concern liabilities determined using the best estimate assumptions (known as best estimate liabilities) contain no provision for adverse deviation;
- the provision for adverse deviation is shown explicitly in the going concern balance sheet; and
- the provision for adverse deviation to be included in the going concern liabilities has been determined as 12% of the best estimate liabilities.

The explicit provision for adverse deviation for this valuation has been chosen so as to balance the need for financial security for existing plan members against funding levels that potentially result in unnecessary financial strain on the employer.

This method remains unchanged from the previous valuation, but the size of the provision has increased from 10% to 12% of best estimate liabilities.

Summary

The actuarial assumptions and methods used in the current and previous valuations are summarized below and described on the following pages.

| | March 31, 2017 | December 31, 2013 |
|------------------------------------|---|---|
| Economic Assumptions | | |
| Best Estimate Discount rate | 5.35% | 6.70% |
| Inflation rate | 2.25% | 2.5% |
| Increases in maximum pension limit | \$2,914.44 in 2017 ² | \$2,770.00 in 2014 ² |
| Plan expenses | 0.35% of assets per year | 0.35% of assets per year |
| Annual Pension Increases | 1.60% | 2.00% |
| Demographic Assumptions | | |
| Mortality | CPM 2014 Private (Adjusted 100% for males and 110% for females) with Improvement Scale CPM-B | UP94 projected to 2014 with Scale AA, then with generational projection after 2014 using Scale CPM-B |
| Retirement | 35 years' service Age 60 with 20 years' service Age 65 with 1 year service | 35 years' service Age 60 with 20 years' service Age 65 with 1 year service |
| Termination of employment | Nil | Nil |
| Disability | Nil | Nil |
| Proportion married: | | |
| Non-retired proportion with spouse | 85% | 85% |
| Spousal age differential | Males three years older | Males three years older |

Economic Assumptions

Discount Rate

The overall gross expected return ("best-estimate") is 5.35%, which is based on an inflation rate of 2.25%, yielding a real rate of return on the pension fund assets of 3.10%. This best-estimate rate of return was developed using best-estimate returns for each major asset class in which the pension fund is invested and then using a building block approach, based on the Plan's investment policy, to develop an overall best-estimate rate of return for the entire pension fund. Any additional gains from rebalancing and diversification have been included above.

In order to set the discount rate, we have incorporated the following adjustments to the overall expected rate of return:

Development of Discount Rate

| | | | | |
|---|-----|----------------|---------|--------------|
| Overall expected return | | | | 5.15% |
| Non-investment expenses | | | | (0.10)% |
| Investment expenses | | | | |
| Passive | (1) | (0.05)% | | |
| Actively managed | (2) | <u>(0.20)%</u> | | |
| | | | (1)+(2) | (0.25)% |
| Additional returns due to active management | | | | <u>0.20%</u> |
| Discount Rate | | | | 5.00% |

Therefore, we have arrived at a best estimate discount rate of 5.00% per year net of expenses, or 5.35% per year before expenses.

The previous valuation used a gross discount rate of 6.70% per annum, or 6.35% net of expenses. This change in assumption increased liabilities by \$109,553,000.

Inflation Rate

The inflation rate is assumed to be 2.25% per year. This reflects our best estimate of future inflation considering current economic and financial market conditions. The previous valuation assumed the inflation rate to be 2.50% per year.

Expenses

Explicit provision has been made as a reserve on the balance sheet for all future investment and non-investment expenses expected to be paid from the pension fund. This amount is assumed to be 0.35% of assets per year in the future and is based on recent plan experience. This assumption remains unchanged from the previous valuation.

Annual Pension Increases

The Plan provides for annual cost-of-living increases for pensions in pay equal to the lesser of 2.00% or the rate of inflation for any given year. Based on a 30-year stochastic projection of future inflation rates, with an average rate of 2.25%, the best estimate of the average indexation provided in future years is 1.60% per annum. The previous valuation assumed pension increases to be 2.00% per annum. This change in assumption reduced liabilities by \$30,362,000.

Demographic Assumptions

Mortality

The membership of this Plan is not sufficiently large to develop its own plan-specific mortality table. However, a mortality study was performed during 2014 that included other similar pension plans and grouped the results to develop partially-credible results. For this valuation, gender-distinct mortality rates have been assumed to be in accordance with the 2014 Private Sector Canadian Pensioner Mortality Table (Private Sector) adjusted at 100% for males and 110% for females, with projection scale CPM-B, as a result of the 2014 mortality study.

The previous valuation used the UP94 table projected to 2014 with Scale AA, then with generational projection after 2014 using Scale CPM-B. This change in assumptions increased liabilities by \$12,146,000 on the valuation date.

Retirement

Active members are assumed to retire at the earliest unreduced retirement date, which is unchanged from the previous valuation. Since all active members are currently eligible to retire with an unreduced pension, this effectively means that all active members are assumed to retire on the valuation date.

Disability and Termination of Employment

No allowance has been made for disability or termination of employment prior to retirement on the basis that the impact of including such assumptions would not have a material impact on the valuation results.

Proportion of Members with Spouses and Spousal Age Differential

These assumptions are relevant to the valuation of benefits since there is a subsidized joint and survivor benefit available for members with a spouse. It has been assumed that 85% of members will have a spouse of the opposite gender at retirement and that the females will be 3 years younger than males, which is unchanged from the previous valuation. The proportion of members who will have a spouse and the age of the spouse are based on observance of actual plan experience.

Actuarial Cost Method

An actuarial cost method is a technique used to allocate in a systematic and consistent manner the expected cost of a pension plan over the years of service during which plan members earn benefits under the Plan. By funding the cost of a pension plan in an orderly and rational manner, the security of benefits provided under the terms of the Plan in respect of service that has already been rendered is significantly enhanced.

For the purposes of this valuation, we have used the projected unit credit actuarial cost method. Under this method the actuarial present value of the benefits expected to be paid in the future in respect of service prior to the valuation date, but based on pensionable earnings projected to retirement, is compared with the actuarial asset value, revealing either a surplus or an unfunded actuarial liability.

When calculating the actuarial present value of past service benefits at the valuation date, the present value of all retirement, withdrawal and preretirement death benefits are included. For each member, the retirement, withdrawal and pre retirement death benefits for a particular period of service are first projected each year into the future taking into account future vesting, early retirement entitlements and minimum pension/value entitlements. These projected benefits for each future year are then capitalized, multiplied by the probability of the member leaving the Plan in that year and discounted with interest and survivorship to the valuation date. The actuarial present value of benefits for the particular period of service is then determined by summing the present values of these projected benefits.

Note that the previous valuation used the attained age actuarial cost method, but this change in methodology did not have any impact on liabilities, since there are no further future service accruals or associated cost, as all active members have reached the Plan's 35-year service accrual cap.

Going Concern Asset Valuation Method

As in the previous valuation, the assets of the Plan were valued at the market value of assets as of the valuation date.

Appendix D: Solvency Assumptions and Methods

Solvency Valuation Assumptions

| | March 31, 2017 | December 31, 2013 |
|---|---|---|
| Economic Assumptions | | |
| Discount Rate | | |
| Annuity purchase basis | 3.20% | 3.90% |
| Post-retirement indexing – annuity purchase basis | 2.00% | 2.00% |
| General salary scale | Nil going forward, actual earnings used for past | Nil going forward, actual earnings used for past |
| YMPE and DB Limit Increase | Nil | Nil |
| Demographic Assumptions | | |
| Mortality rates | 2014 CPM Combined Mortality Table with generational mortality improvements using projection scale CPM-B | 1994 Uninsured Pensioner Mortality Table with generational mortality improvements using projection scale AA |
| Withdrawal rates | Not Applicable | Not Applicable |
| Retirement age | Immediate | Immediate |
| Solvency Incremental Normal Cost | | |
| Increases in pensionable earnings | 2.75% + merit and promotion | 3.0% + merit and promotion |
| Increases in YMPE | 2.75% | 3.0% |
| Increases in maximum pension limit | In accordance with <i>Income Tax Act</i> , then 2.75% | In accordance with <i>Income Tax Act</i> , then 3.0% |
| Inflation Rate | 2.25% | 2.5% |
| Pensioner indexation | 1.60% | 2.0% |

Solvency Assumptions and Methods

The Act requires that the Plan's financial position at the valuation date be assessed under the premise that the Plan is terminated and wound up on the valuation date. The Plan's liabilities calculated under this premise (known as the solvency basis) are determined using assumptions and methods prescribed by the Act to be in accordance with accepted actuarial practice for solvency valuations.

The following summarizes the postulated wind-up scenario, actuarial assumptions, methods and benefits that make up the solvency basis for the Plan at March 31, 2017. Judgement must be exercised in setting certain assumptions, especially as related to determining:

- the proportion of the Plan's benefits expected to be settled by way of annuity purchase and by way of lump sum transfer; and
- the hypothetical annuity purchase rates to be used in the solvency valuation.

Consequently, if the Plan was terminated on the valuation date, the solvency liabilities may be different than the Plan's termination liabilities. Such differences may be primarily attributed to:

- differences between the actual and assumed proportion of benefits being settled by annuity purchase and lump sum transfer; and
- actual annuity purchase rates that are different than the rates assumed to be representative of the annuity market for the purposes of the solvency valuation.

The Plan is a large pension plan in the sense that the total value of the annuities that would need to be settled upon wind-up would amount to over \$1 billion. While the capacity of the group annuity market in Canada is known to fluctuate, we understand that a plan of this size would have difficulty in effecting a purchase of the entire block of annuities in a single purchase arrangement. In addition, the annuities would include inflationary increases (at 100% of the increases in the CPI to a maximum of 2% per year) adding further difficulty in settling the liabilities through a single group annuity purchase.

Postulated Wind-Up Scenario for the Solvency Valuation

While we are aware that it would be difficult for SaskTel to settle the entire block of annuities at once, we have assumed that this would occur on the valuation date and have therefore based the solvency assumptions on the CIA guidance on annuity purchase interest rates and mortality without adjustment. We have also assumed that the indexing provision would be modified to provide members with a guaranteed increase of 2.0% per year for such an annuity purchase.

Solvency Valuation Methods

The solvency liabilities have been calculated as the actuarial present value of the benefits prescribed to be valued under the Act. These prescribed benefits are those benefits to which a member would be entitled if the Plan was terminated on the valuation date and the member was vested, regardless of service.

It is further noted that the solvency liabilities take into consideration benefit provisions that are provided in the event of plan termination on the valuation date.

For purposes of the solvency valuation, assets have been valued at market value.

Incremental Cost on a Solvency Basis

The incremental cost on a solvency basis represents the present value, at the calculation date (time 0), of the expected aggregate change in the solvency liabilities between time 0 and the next calculation date (time t), adjusted upwards for expected benefit payments between time 0 and time t.

An educational note was published in December 2010 by the Canadian Institute of Actuaries' Committee on Pension Plan Financial Reporting to provide guidance for actuaries on the calculation of this information.

The calculation methodology can be summarized as follows:

- The present value at time 0 of expected benefit payments between time 0 and time t, discounted to time 0,
plus
- A projected hypothetical wind up or solvency liabilities at time t, discounted to time 0, allowing for, if applicable to the pension plan being valued:
 - expected decrements and related changes in membership status between time 0 and time t,
 - accrual of service to time t,
 - expected changes in benefits to time t,
 - a projection of pensionable earnings to time t,minus
- The hypothetical wind up or solvency liabilities at time 0.

The projection calculations take into account the following assumptions and additional considerations:

- The assumptions for the expected benefit payments and decrement probabilities, service accruals, and projected changes in benefits and/or pensionable earnings would be consistent with the best estimate assumptions used in the valuation.
- The assumptions used to calculate the projected liability at time t are consistent with the assumptions for the solvency liabilities at time 0, assuming that interest rates remain at the levels applicable at time 0, that the select period is reset at time t for interest rate assumptions that are select and ultimate and that the Standards of Practice for the calculation of commuted values and the guidance for estimated annuity purchase costs in effect at time 0 remain in effect at time t.
 - Active and inactive plan members as of time 0 and assumed new entrants over the period between time 0 and time t are considered in calculating the incremental cost.

Appendix E: Summary of Plan Provisions

The following is a brief summary of the provisions of the *Saskatchewan Telecommunications Pension Plan* used in the valuation of the Plan as at March 31, 2017. This summary reflects all amendments up to and including Amendment No. P-8.

Eligibility

All employees who were participants of the *Saskatchewan Telecommunications Superannuation Act* as at December 31, 1998, are members of the *Saskatchewan Telecommunications Pension Plan*.

The Plan is no longer open to employees whose employment commenced on or after October 1, 1977. However, an employee covered under another *Saskatchewan Superannuation Act* may transfer to this plan subject to a reciprocal transfer or portability agreement.

Retirement

Normal Retirement Date

The normal retirement date is the last day of the month in which a member attains age 65.

Unreduced Retirement Date

Members may retire with no reduction in credited benefits at the following dates:

- a) at age 65;
- b) at age 60 with a minimum of 20 years of pensionable service,
- c) at any age with 35 years of pensionable service; or
- d) at any age with a minimum of 15 years of pensionable service if incapacitated for all employment purposes because of ill health or other disability.

Early Retirement Date

Members may retire at the following ages:

- a) at age 60 with a minimum of 15 and less than 20 years of pensionable service; or
- b) at age 55 with a minimum of 30 years of pensionable service.

In the case of retirements after age 55 with 30 years of service the gross pension is reduced by the total of:

- a) 3.75% for each year calculated to the nearest month, that the age of retirement is less than 60; and
- b) 0.25% for each year or partial year that the total pensionable service is less than 35.

In the case of retirements after age 60 with at least 15 years of service but less than 20 years, the gross pension is reduced by the total of:

- a) 0.125% for each month (to the nearest month) that the age of retirement is less than 65, and
- b) 0.125% for each month (to the nearest month) that the total pensionable service is less than 20.

Any early retirement reduction calculated above does not apply to the offset at age 65. The pension is paid on the last working day of the month in which the pension is payable.

Credited Pension

The credited pension is determined as:

2% of the average of best 3 years' salary, multiplied by years of service up to 35 years

less:

at age 65, an offset equal to 0.7% multiplied by the number of years of pensionable service after December 31, 1965, multiplied by the lesser of:

- (a) the average of the last three Year's Maximum Pensionable Earnings (YMPE) ending on the earlier of the member retiring or reaching 35 years of service, and
- (b) the average of the best 3 years' salary.

The pension can be integrated with the Old Age Security (OAS) allowance, and if so, is determined using an actuarial basis as per the Plan. This basis is currently an interest rate of 7.0% and the 1983 Group Annuity Mortality Table.

Maximum Pension

There are three limits that are imposed by the *Income Tax Act* on the amount of pension benefits that can be paid from the Plan.

1. The first limit is on lifetime retirement benefits paid from the Plan. The maximum lifetime retirement benefit for service after December 31, 1991 is limited to the maximum dollar limit¹ as stipulated in the *Income Tax Act*.
2. The second limit is on the amount of annual bridge benefit paid before age 65. The annual bridge benefit cannot exceed:
 - (a) the maximum annual pension payable under the Canada Pension Plan; plus
 - (b) the maximum annual amount of Old Age Security payable at the date of retirement.

If the member is under age 60, the amounts in (a) and (b) will be reduced by 0.25% for each month that the age of retirement is less than age 60. Also, if the member has not completed 10 years of pensionable service, then the amounts in (a) and (b) will be prorated in the same ratio as the number of years of pensionable service is to 10 years.

¹ The dollar limit under the *Income Tax Act* is a specified dollar limit per year of service based on the year of retirement. The specified limit is \$2,696.67 in 2013 and \$2,770.00 in 2014. The limit of \$2,770.00 is scheduled to be indexed to the Average Industrial Wage Index starting in 2015.

3. The third limit is on the amount of the annual lifetime pension plus bridge benefit that is paid before age 65 as stipulated in the *Income Tax Act*. For this plan, the limit is only applicable for pensionable service after December 31, 1991. The limit is equal to:
 - (a) the maximum lifetime dollar limit⁹; plus
 - (b) the product of $1/35 \times 0.25 \times$ the average of the final three calendar years of pensionable salary up to the YMPE.

Note that it is very rare for a plan member's benefits to be limited by the second and third limits described above.

Benefits Paid Following Termination of Employment

On termination of employment, a member who is not eligible to receive a non-reduced immediate allowance is entitled, upon written application, to receive a lump sum payment from the Plan. The lump sum paid is equal to a refund of contributions made before January 1, 1999 plus accrued interest up to the date of termination plus the commuted value of the benefits for service earned after December 31, 1998 with any excess employee contributions. This amount can be transferred to another tax-sheltered retirement vehicle. The total amount paid out, however, cannot exceed the greater of:

- 100% of the commuted value of the member's pension benefits; or
- twice the total member's contributions with interest accrued to the date of payment.

Instead of a lump sum payment, an election can be made to receive a deferred pension. This normally becomes payable at age 65. Members with 15 or more years of service may elect to receive a reduced pension at any time after age 60. Members with 30 or more years of service may elect to receive a reduced pension at any time after age 55. A member may retire early with an unreduced allowance provided they have attained age 60 with at least 20 years of pensionable service.

If a terminating member does not elect a deferred pension or lump sum payment (as described above), then, as permitted by the Public Employees Pension Plan, the terminating member will be given the option to transfer an amount equal to twice the member's total contributions plus interest to the date of transfer to the Public Employees Pension Plan in lieu of all other benefits payable from this plan.

Death Benefits Prior to Retirement

When a member dies, the spouse is entitled to a lifetime pension equivalent to 60% of the member's accrued pension (as if the member had elected retirement at the date of death with no reduction) for life calculated in accordance with the benefit formula. Ten percent (10%) of the member's accrued pension is payable to each child under the age of 18, up to a maximum of a total of 25% to all children.

When a member dies prior to the earliest date on which the member could have elected to receive a pension from the Plan, the value of the pension that is payable to the spouse in respect of service after December 31, 1998 will not be less than 100% of the commuted value of the member's pension for service after December 31, 1998 plus any excess employee contributions for service after December 31, 1998.

Where the spouse predeceased the employee or dies after the death of the employee, a temporary pension of 60% of the member's accrued pension is payable to any surviving children under the age of 18 in lieu of the children's allowance.

The child or children of a single parent may be eligible to receive a 60% allowance in lieu of the children's allowance. Children's allowances cease at age 18.

When a member dies leaving no dependents, a refund will be paid to the estate equal to:

- (a) total contributions made by the member as at December 31, 1998, together with credited interest accrued to the date of payment; plus
- (b) the commuted value of the member's pension benefits earned after December 31, 1998 plus any excess contributions for the service earned after December 31, 1998.

The sum of (a) and (b) cannot exceed 100% of the commuted value of the member's pension benefits for all years of pensionable service, or twice the total member's contributions and interest accrued to the date of payment.

Death Benefits After Retirement

When a retired member dies after retirement, the following death benefits are payable:

- The surviving spouse will receive a pension equal to 60% of the pension to which the retired member was entitled.
- Each child will receive 10% of the pension to which the retired member was entitled until the child attains age 18. The total amount payable to all children is limited to 25% of the member's pension entitlement.
- Where both the spouse and the retired member are deceased, the spouse's pension shall be paid to those children that are under age 18. This is in lieu of the 10% children's benefit described above.

If a retired member has elected to receive a joint and survivor 100% optional form of pension, the following death benefits are payable upon the retired member's death:

- The surviving spouse shall receive 100% of the pension to which the retired member was entitled.
- Where both the spouse and the retired member are deceased, 100% of the retired member's pension entitlement is paid to those children that are under age 18.

Where there is no surviving spouse or child under age 18, the pensions cease, except where the retired member dies before receiving total benefits equal to the member's contributions with interest as at the date of retirement. Then any shortfall is paid as a lump sum.

Disability Provisions

A member who is disabled and is covered by SaskTel's disability income plan will continue to accrue service under the Plan. The pension at retirement will be based on all years of service including those on disability.

The disabled member is required to make contributions to the Plan at the salary where the disability benefit was calculated. The disability income plan pays the employer's required contributions.

At the discretion of the Saskatchewan Telecommunications Pension Board, a disabled member may retire early if the member has completed at least 15 years of continuous employment with SaskTel. The pension payable to the member will not include any early retirement reductions.

Normal and Optional Forms of Pension

For members without a spouse, the normal form of pension is a monthly single life annuity. Payments cease after the member's death.

For members with a spouse, the normal form of pension is a monthly annuity payable to the member with 60% of the member's pension entitlement continuing to the member's surviving spouse upon the member's death. Payments cease after the member's death and spouse's death.

A member may elect to receive a 100% joint monthly annuity with the member's spouse. This monthly annuity must be actuarially equivalent to the normal form of pension for a member with a spouse (described above). The optional form of pension applies to the lifetime retirement benefit and the bridge benefit payable to age 65.

The first payment of the monthly annuity is made on the last working day of the month following the member's retirement date.

Indexation of Pension Benefits

Effective April 1, 2001 and at each April 1 thereafter, pensions in payment under the Plan in March of each calendar year will be increased by 100% of the increase in the Consumer Price Index from the previous year, subject to a maximum increase of 2% in each year. The amount of the offset at age 65 is not increased before age 65. This in effect, provides that any indexation on the offset (bridge benefit) is payable for the life of the member. A test is made when a member turns age 65 (and the pension is reduced by the offset only) to ensure that the total indexation on the lifetime retirement benefit does not exceed the limit set by the *Income Tax Act*.

50% Rule (Excess Contributions)

The member's required contributions may not fund more than 50% of the cost of the benefits accrued after December 31, 1998. This minimum 50% employer cost is applied upon retirement, termination or death before retirement.

Member Contributions

Members are required to contribute an amount equal to a set percentage (fixed at their age when first employed by SaskTel) of their salaries (regular remuneration only) less their deemed contributions to the Canada Pension Plan (CPP) determined as 1.8% of their regular earnings over the Year's Basic Earnings exemption, and below the Year's Maximum Pensionable Earnings as defined under the CPP. The contribution percentage, which is summarized in the following table, is determined by reference to their age at the date first employed by SaskTel:

| Age at Commencement of Employment | Contribution Percentage |
|--|--------------------------------|
| Under age 30 | 7% |
| Age 30 but under age 40 | 8% |
| Over age 40 | 9% |

Contributions cease after having accrued a total of 35 years of pensionable service, upon attainment of age 65, or when the member retires, dies or terminates. For a disabled member, the disability income plan pays the employer's required contributions. The disabled member will continue to make contributions at the salary where the disability benefit was calculated.

The member's contributions are credited at an interest rate of 7.0% per annum.

Benefits Paid on Plan Termination

In the event that the Plan is terminated, the assets of the Plan will first be allocated to provide for the payment of all benefits in accordance with the terms of the Plan, the *Income Tax Act* and the *Pension Benefits Act*.

The Corporation will ensure that all benefits earned and all allowances granted as at the date of termination will be paid in full, and no benefits or allowances will be reduced as a result of the termination of the Plan.

The payment of "all benefits earned and all allowances granted as at the date of termination" shall include future ad hoc pension increases approved pursuant to Section 36.1 of *the Superannuation (Supplementary Provisions) Act* as determined by the Actuary.

Permitted Use of Surplus

Any Surplus remaining in the Fund after all benefits under the Plan have been provided and all liabilities discharged shall be allocated as follows:

- (a) if the Actuary determines that the level of benefits payable under the Plan at the date of termination is less than the average of the level of benefits provided by those pension plans then governed by The Superannuation (Supplementary Provisions) Act, Surplus shall be utilized to increase the benefits payable under the Plan in an amount which would, in the opinion of the Actuary, make the level of benefits payable under the Plan equal to the average of the level of benefits provided by those pension plans to which The Superannuation (Supplementary Provisions) Act applies; and
- (b) any Surplus not allocated pursuant to clause (a) shall be transferred to the Corporation.

Summary of Historical Early Retirement Packages

An early retirement package was put in place with an implementation date of December 27, 1999. The package offered early retirement without early retirement penalties if a member meets one of the following criteria:

- Age plus years of service totalling 80 or more,
- Age 60 or over, or
- 30 years of service.

This package was offered to plan members from January 1, 1996 to December 31, 1999. A similar package was implemented and available to plan members up to December 31, 2002.

SaskTel has implemented an early retirement program, effective September, 2004 with a window of opportunity over the six year period from 2004 to 2009. The following indicates the benefit improvement as a result of the early retirement program:

1. The eligibility criteria for the early retirement program are as follows. This is referred to as the early retirement program eligibility date. Each active member will be eligible to retire, with an unreduced pension on the earlier of:
 - a. Age 61;
 - b. 31 years of superannuation service; or
 - c. Age plus superannuation service equal to or greater than 85.
2. Each member will only have one opportunity to elect to retire under this early retirement program. If they do not elect to retire on their early retirement program eligibility date, they will then be able to retire according to the existing early retirement provisions of the Plan.
3. If an active member elects to terminate their employment before their early retirement program date, there will be no additional value included in the member's termination benefits (either commuted value or deferred pension benefits).

Amendments

Effective January 1, 1999, the plan text incorporates the statutory provisions required by the *SaskTel Pension Implementation Act* and *The Pension Benefits Act, 1992 (the Act)*. The *Saskatchewan Telecommunications Pension Plan* now satisfies the minimum requirements of the *Act*, however, with these special provisions:

- i) The interest rate credited on member's contributions is 7.0% per annum.
- ii) The earliest retirement date is age 55 with 30 years of service, age 60 with 15 years of service or after 35 years of service.
- iii) The minimum 50% employer cost rule applies for all service rendered on or after January 1, 1999.
- iv) The minimum pre-retirement death benefits are provided for all service rendered on or after January 1, 1999.
- v) Upon termination, a member can receive a refund of employee contributions with interest only for those contributions made before January 1, 1999.
- vi) Upon termination, the commuted value of benefits accrued on and after January 1, 1999 can be transferred to a Locked-In Retirement Account (LIRA), another registered pension plan or an insurance company.

Amendment No. P-1 limited death benefits such that they do not exceed the maximum allowable death benefits as required by the *Income Tax Act*. Furthermore, the Plan was revised such that the Plan provisions for marital breakdowns satisfied the *Act*.

The definition of spouse was revised in Amendment No. P-2 to include same-sex couples.

Amendment No. P-3 incorporated changes to the Plan as required by the Canada Customs and Revenue Agency in order to comply with the *Income Tax Act*. Amendment No. P-3 included restrictions on the bridge pension and the amount being paid out upon termination or death in accordance with the *Income Tax Act*. The Plan was amended to only allow a member to transfer their excess contributions upon retirement to an

RRSP or another registered plan if it is in conjunction with a transfer of some or all of the member's lifetime retirement benefits to the same RRSP or registered pension plan.

Amendment No. P-4 revised the definition of spouse pursuant to changes made in the Act and for the division of pension benefits in accordance with the Family Property Act.

Amendment No. P-5 put in place the following benefit improvements:

1. Best average earnings changed from best five year average salary to best three year average salary. The benefit improvement affects all plan members including pensioners, beneficiaries, and deferred members. The effective date of this plan improvement was January 1, 2001.
2. Guaranteed post-retirement indexing equalling 100% of the increase in the Consumer Price Index up to a maximum increase of 2% per year. The first scheduled increase was April 1, 2001.

Amendment No. P-5 also provided some detail on the recalculation of pension benefits for each retired member, surviving spouse, child and deferred member as a result of the change to the best three year average salary.

Amendment No. P-6 put in place the scheduled increases in the maximum pension benefits under the Income Tax Act in 2004 and 2005 and made provisions for the subsequent increases in the limits in 2006 and later.

Amendment No. P-7 implemented a number of housekeeping changes for compliance under the Act which had no financial impact on the Plan.

Amendment No. P-8 implemented a phased retirement option as well as a number of housekeeping changes which had no financial impact on the Plan.

Appendix F: Administrator Certification

With respect to the *Saskatchewan Telecommunications Pension Plan*, forming part of the actuarial report as at March 31, 2017, I hereby certify that, to the best of my knowledge and belief:

- The asset data contained in Appendix A of this report is complete and accurate;
- The membership data summarized in Appendix B of this report form a complete and accurate description of all persons who are entitled to benefits under the terms of the Plan in respect of service up to the date of the valuation;
- The summary of the Plan provisions contained in Appendix E is an accurate summary of the current Plan provisions; and
- The actuary has been notified of all relevant events subsequent to the valuation measurement date.

Date March 29, 2018

Signed 

Name David Holzapfel

Title Finance Manager

Contact Information

David Larsen

Partner

Aon

Retirement

+1.306.934.8691

dave.larsen@aon.com

Johan Schmuecker

Senior Consultant

Aon

Retirement

+1.306.934.8684

johan.schmuecker@aon.com

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