



**Saskatchewan
Telecommunications
Pension
Plan**

**93rd Annual Report
and
Financial Statements**

For the Year Ended March 31, 2021

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.

Table of Contents

Message from the Chair..... 2

Plan Membership..... 3

Significant Events 2020/21..... 4

Board Expenses..... 4

Actuarial Valuations..... 4

Investment Governance..... 6

Investment Performance..... 8

Financial Highlights 9

Investment Management..... 11

Management’s Responsibility for Financial Statements..... 12

Actuary’s Opinion..... 13

Auditors’ Report..... 14

Financial Statements..... 17

Notes to Financial Statements..... 20

**Schedule of Accumulated Net Assets Available for Benefits for the period
May 1, 1928 to March 31, 2021..... 32**

Message from the Chair

Peter Hoffmann, **Chairperson**
Jamie Patterson, **Member**
Andrew Malinowski, **Member**

Scott Smith, **Member**
Brian Renas, **Member**

To: All Contributors/Pensioners in the SaskTel Pension Plan

I am pleased to submit herewith the annual report of the Saskatchewan Telecommunications Pension Plan (Plan) for the year ended March 31, 2021 including the financial statements audited by the external auditor.

The Plan's investment portfolio rebounded well from the economic fallout of the COVID-19 pandemic. The overall rate of return for the Plan was 14.1% in 2020/21 (-0.1% in 2019/20). Total annual benefits paid to Plan members during the year were \$64.9 million and the expense ratio for the Plan was 31 basis points or .31%.

The Board has completed an in depth review of the Governance Manual and the updated manual is posted on the Plan website <https://www.sasktel.com/sasktel-pension-plan/home>.

The Board also continues to make an effort to make Plan information easily accessible for members. As such the Statement of Investment Policies and Goals, Dynamic Investment Policy, Governance Manual and the most recent actuarial valuation reports are posted on the Plan's website. The 2020-21 Annual Report will be accessible on the Plan's website in the near future. Contact information for pension plan inquiries is also listed.

If you have any questions or concerns, regarding the financial statements or any other matter, please do not hesitate to call Michelle Maystrowich at (306) 501-7777 or David Holzapfel at (306) 777-4777.



Sincerely,
Peter Hoffmann, Chair
SaskTel Pension Board

June 24, 2021

Plan Membership

PLAN MEMBERS AS AT MARCH 31, 2021

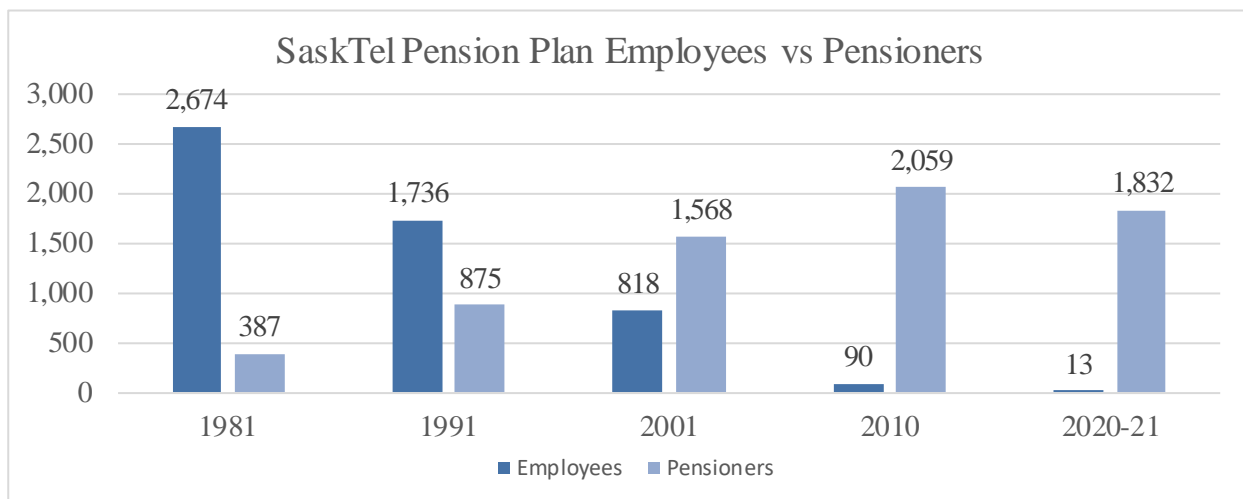
Employee Members	13
Retired Members	1,832
Total Members	1,845

PRESENT RETIREES AT THE END OF THE 93rd FISCAL PERIOD

		<u>Average Age</u>	<u>as at Mar. 31, 2021</u>	<u>as at Mar. 31, 2020</u>
Retirees 65 & Over	Males	75.0	862	815
	Females	76.2	404	384
Retirees Under 65	Males	63.9	138	209
	Females	63.6	95	131
Dependants	Spouses	79.6	318	312
	Children	-	-	-
Split Pensions	Males	-	-	-
	Females	72.3	15	16
		74.3	1,832	1,867

NUMBER OF EMPLOYEES UNDER THE PROVISIONS OF THE SASKATCHEWAN TELECOMMUNICATIONS PENSION PLAN AT MARCH 31, 2021

	<u>Male</u>	<u>Female</u>	<u>Total</u>
Direct West Employees	-	1	1
SaskTel Employees	5	7	12
Total	5	8	13



Significant Events 2020/21

GOVERNANCE

Governance activities completed by the Board during 2020/21 included:

- Reviewed and updated governance manual
- Reviewed strategic planning and risk objectives
- Approved statement of investment policies and goals
- Performed a self-assessment of governance structure
- Reviewed legislative compliance
- Reviewed asset mix
- Completed a de-risking step

Board Expenses

BOARD EXPENSES

The Board members are reimbursed for expenses incurred for meetings, for education costs and they are compensated for the time necessary to prepare for and to conduct Plan business.

<u>Name</u>	<u>Board Meeting Per Diem</u>	<u>Retainer Fees</u>	<u>Meeting Expenses</u>	<u>Education Expenses</u>	<u>Total</u>
Peter Hoffmann, Chair	\$ 3,600	\$ 2,500	\$ 225	\$ 42	\$ 6,367
Andy Malinowski	2,200	1,875	-	1,050	5,125
Brian Renas	2,200	1,875	60	-	4,135
Scott Smith ¹	-	-	-	-	-
Charlene Gavel ¹	-	-	-	-	-
Jamie Patterson ¹	-	-	-	-	-
Total	\$ 8,000	\$ 6,250	\$ 285	\$ 1,092	\$ 15,627

¹ SaskTel employee

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 March 31, 2020 are included. Valuations are filed with the Financial and Consumer Affairs Authority of Saskatchewan – Pension Division and with Canada Revenue Agency.

ASSUMPTIONS FOR FUNDING PURPOSES

The actuarial assumptions used for funding purposes are a set of assumptions which reflect the Board's judgment of the most likely set of conditions affecting future events. Following are the significant actuarial assumptions used in the March 31, 2020 valuation to determine the actuarial value of pension obligations. The actuarial assumptions used for the December 31, 2017 valuation are shown for comparison purposes:

<u>Significant Assumption</u>	<u>Valuation as at Mar. 31, 2020</u>	<u>Valuation as at Mar. 31, 2017</u>
Gross Rate of Return on Assets	5.35%	5.35%
Provision for Future Expenses	0.35%	0.35%
Discount Rate for Liabilities	5.00%	5.00%
Inflation	2.25%	2.25%
Future Indexing	1.60%	1.60%

Mortality rates were applied utilizing the 2014 Private Sector Canadian Pensioner Mortality Table (Adjusted 100% for males and 110% for females) with Improvement Scale MI-2017 (2017 valuation used the CPM-B).

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 **Going Concern 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.

<u>Thousands of dollars</u>	<u>2021</u> <u>Extrapolation</u>	<u>2020</u> <u>Valuation</u>	<u>2017</u> <u>Valuation</u>
Assets	\$ 1,030,851	\$ 964,300	\$ 1,030,246
Liabilities	(850,268)	(842,687)	(899,991)
Provision for adverse deviation	(102,032)	(101,122)	(107,999)
Total liabilities	(952,300)	(943,809)	(1,007,990)
Surplus	\$ 78,551 ¹	\$ 20,491 ¹	\$ 22,256 ²
Valuation ratio	108.2%	102.2%	102.2%

¹ Based on funding valuation at March 31, 2020.

² Based on funding valuation at December 31, 2017.

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

<u>Thousands of dollars</u>	<u>2021</u> <u>Extrapolation</u>	<u>2020</u> <u>Valuation</u>	<u>2017</u> <u>Valuation</u>
Assets	\$ 1,030,101	\$ 963,550	\$ 1,029,746
Liabilities	(1,058,000)	(1,130,923)	(1,187,980)
Deficit	<u>\$ (27,899)¹</u>	<u>\$ (167,373)¹</u>	<u>\$ (158,234)²</u>
Valuation ratio	97.4%	85.2%	86.7%

¹ Based on funding valuation at March 31, 2020.

² Based on funding valuation at December 31, 2017.

FUNDING

The Pension Benefits Regulations, 1993 do not require Specified Plans to amortize solvency deficiencies. Since the Plan is a Specified Plan as per *The Pension Benefits Regulations, 1993* the solvency deficiency is not required to be amortized. The Corporation has the ultimate responsibility to ensure that the pension obligations are paid. No contributions were required in 2020/21.

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. The Board has adopted a dynamic investing approach which strives to ensure the assets of the Plan evolve to match the liabilities of the Plan. The basic approach chosen is to gradually convert equity investments to fixed income instruments as the Plan's solvency position improves.

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 indexing provision for retirees. 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 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 is likely to earn a low rate of return. The effect 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.

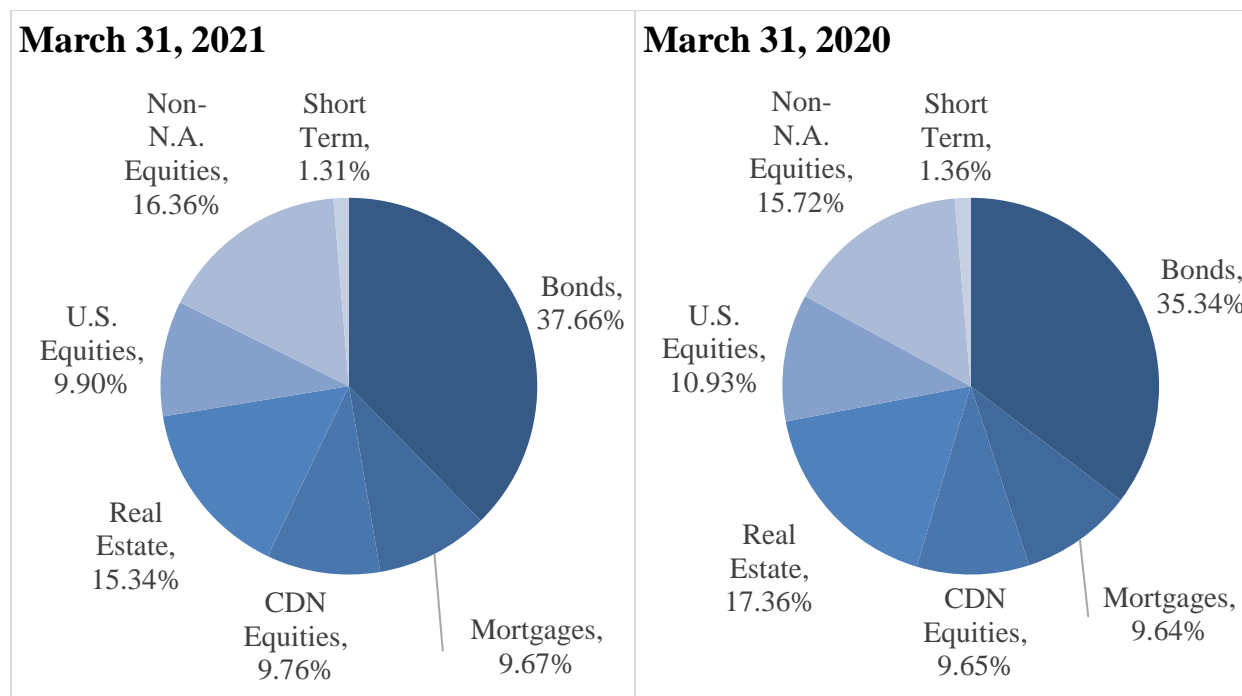
RISK MANAGEMENT

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 reviews risk management strategies and ensures 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:

<u>Asset Class</u>	<u>Range</u>	<u>Target</u>	<u>Actual</u>
Equities	26 – 44%	35%	36.02%
Fixed Income (incl. mortgages)	43 – 53%	48%	48.64%
Real Estate	12 – 20%	15%	15.34%



Investment Performance

Performance for the Annual Period ended March 31, 2021

Following the rapid sell off in capital markets that occurred one year ago in March, equity markets quickly recovered losses as Central Banks around the world flooded the markets with liquidity. Further, equity markets reached all-time highs and investors became increasingly optimistic following positive vaccine developments and the re-opening of economies around the world. In Canadian dollar terms, the MSCI All Country World Index (a barometer for global equity markets) returned 36.5% for the year ended March 31, 2021. Over the longer term (4 years), the MSCI All Country World Index has returned 11.1%.

The Canadian equity market was among the top performing markets over the past year with the S&P/TSX Composite up 44.2%. Performance was positive across most sectors, with Consumer Discretionary, Information Technology and Health Care posting the strongest returns. Within the Information Technology sector, Shopify more than doubled over the year and at one point was the largest stock in the Index. The Canadian equity market's two largest sectors, Financials and Energy, also performed well, returning 46.7% and 40.6% respectively over the past year.

The S&P 500 Index continued to lead global equity markets, returning 56.4% in U.S. dollar terms over the past year. However, following the rapid appreciation of the U.S. dollar in March 2020, the U.S. dollar depreciated significantly over the remainder of the year, bringing the Canadian Dollar return for U.S. equities to 38.8%. On a style basis, large cap growth stocks led the markets higher for most of 2020 as they were the least impacted by COVID-19 lockdown; however, following the positive vaccine developments in the fourth quarter of 2020 investors began to rotate into value stocks as part of the "reopening trade".

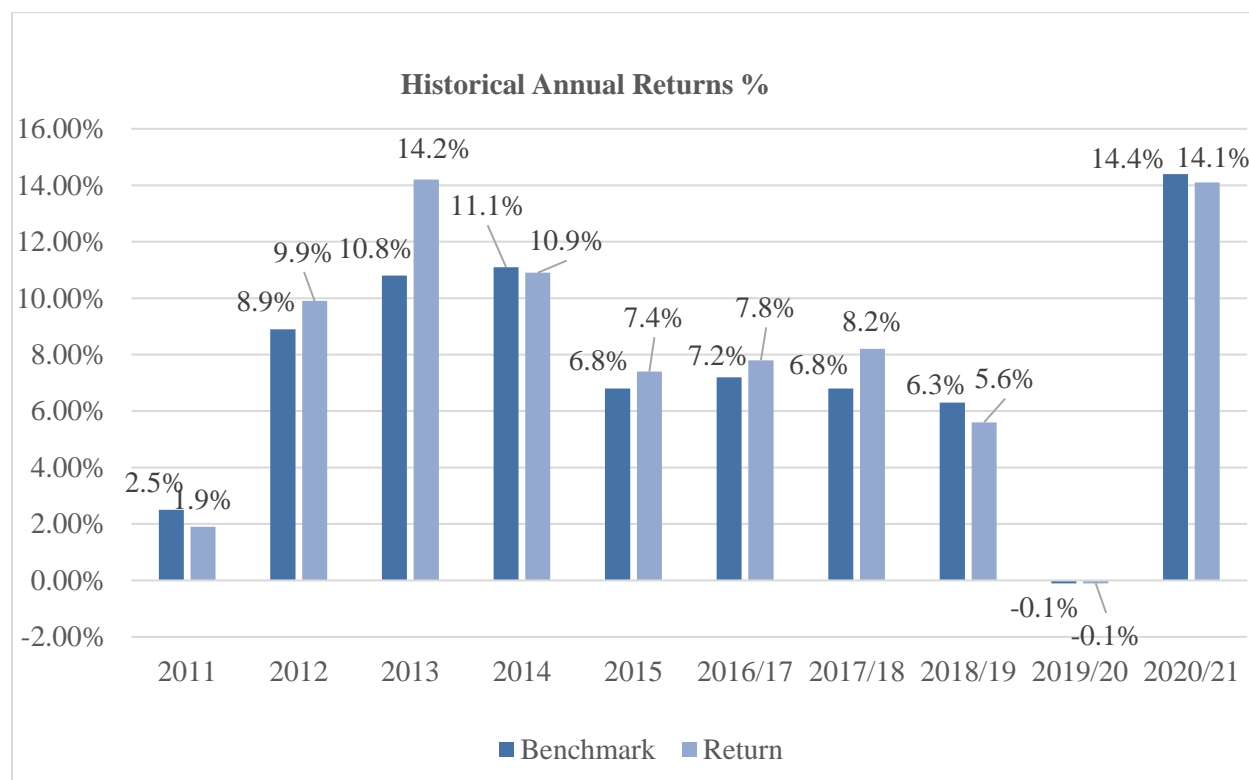
The MSCI EAFE Index, representing non-North American developed equity markets, had a Canadian dollar return of 28.3% over the year ended March 31, 2021. Performance was positive across all sectors with Materials, Consumer Discretionary and Information Technology leading markets higher while Energy, Consumer Staples and Healthcare lagged. Emerging Markets delivered strong performance, returning 39.9% in Canadian dollar terms over the annual period.

Fixed income returns over the past year were heavily influenced by Central Banks. In response to the COVID 19 pandemic, Central Banks acted quickly to cut interest rates and implement quantitative easing measures which provided liquidity to the markets and drove prices up and yields down. Despite Central Banks committing to keeping policy rates low, bond yields began to recover in Q1 2021 on the back of higher economic growth and rising concerns over inflation. This move to higher bond yields led to first quarter 2021 losses of -5.0% for the FTSE Canada Universe Bond Index and -10.7% for the FTSE Canada Long Bond Index. Annual results remained positive with the FTSE Universe Bond Index up 1.6% and the FTSE Canada Long Bond Index up 0.2%. Credit spreads tightened over the year (after widening significantly last year) leading to corporate bonds outperforming both government and provincial bonds. The Plan's bond portfolio is customized to reflect the duration of the liabilities, which are relatively long term in nature, and returned 1.3 % over the year.

The Total Fund trailed its benchmark slightly over the year, returning 14.1% vs the 14.4% benchmark return. Beutel Goodman Canadian equity, GMO International equity and TDAM Bonds added value over the past year while GMO Emerging Markets and TD Greystone Real Estate detracted. Longer-term performance has been positive with a real return of 5.0% over four years and 6.3% over ten years, well above the 2.9% real return objective. Performance relative to benchmark was mixed; over four years the Total Fund trailed by 0.1% (6.8% vs 6.9% benchmark); however, over ten years outperformed by 0.3% (7.9% vs 7.6%).

Return on Investments (%)

	2020/21	2019/20
Annual return	14.1	-0.1
Annual benchmark	14.4	-0.1
Four year annualized return	6.8	6.0
Four year benchmark	6.9	5.6

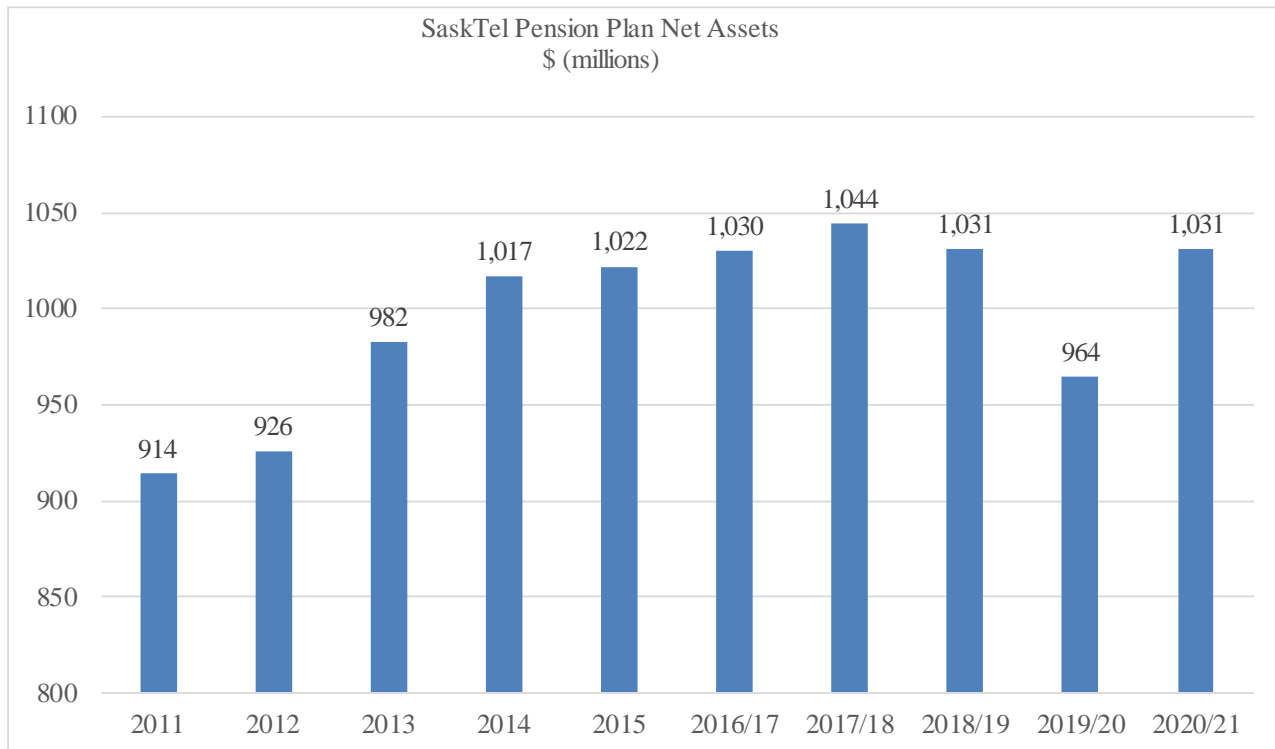


Financial Highlights

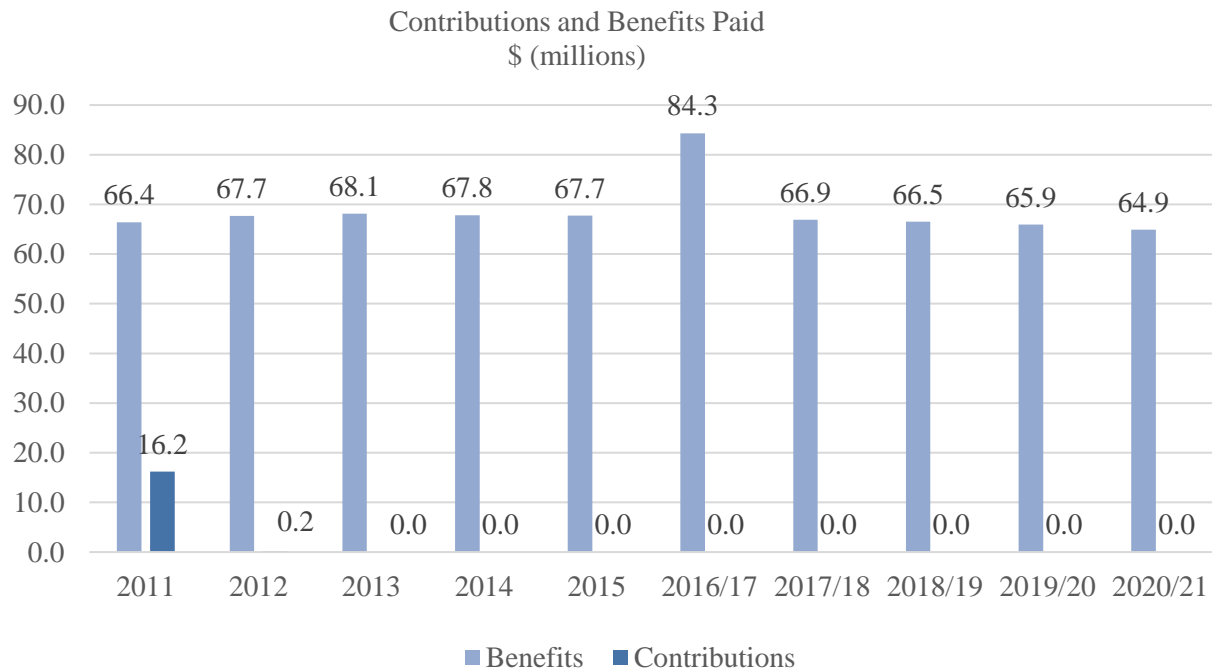
Net assets available for benefits increased by 6.90% from \$964.3 million in 2019/20 to \$1,030.9 million in 2020/21.

Net Assets Available for Benefits

Thousands of dollars	2020/21	2019/20
Net assets available for benefits, opening balance	\$ 964,300	\$ 1,030,935
Plus: Investment income	44,085	38,131
Less: Benefits	64,925	65,944
Expenses	3,386	3,151
Unrealized gains (losses)	90,777	(35,671)
Net assets available for benefits, closing balance	\$ 1,030,851	\$ 964,300



Benefits paid from the Plan decreased from \$65.9 million in 2019/20 to \$64.9 million in 2020/21 due to fewer plan members drawing benefits.



Note: 2016/17 represents a 15 month reporting period.

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 Investor and Treasury Services** performed the processing and handling of investment transactions.

The investment managers managed the investing and disposing of plan assets. **TD Asset Management (TDAM)** has specialty bond, real estate, short term, U.S. equities index, and international equities index mandates. **Beutel Goodman & Company Ltd.** has a specialty Canadian equity mandate. **Grantham, Mayo, Van Otterloo & Company (GMO)** has specialty all country excluding U.S. equities and emerging markets equities mandates.

As the consultant to the Board, **Aon** 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 March 31, 2021, 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.

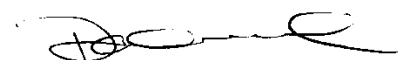
To ensure the integrity and objectivity of the financial data, management maintains a comprehensive system of internal controls including written policies and procedures, an organizational structure that segregates duties and a comprehensive internal audit program. These measures provide reasonable assurance 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 Professional Accountants, as appointed by the Lieutenant Governor in Council and approved by Crown Investments Corporation of Saskatchewan.



Charlene Gavel
Chief Financial Officer



David Holzapfel
Pension Plan Manager

June 24, 2021

ACTUARY'S OPINION

Aon was retained by Saskatchewan Telecommunications ("SaskTel") to perform an actuarial valuation of the assets and liabilities of the Saskatchewan Telecommunications Pension Plan (the "Plan") as at March 31, 2020. SaskTel retained Aon to prepare an extrapolation of the Plan's liabilities from March 31, 2020 to March 31, 2021. This extrapolation was used to prepare the actuarial information for inclusion in the Annual Report for the year ended March 31, 2021.

The extrapolation for the Plan's liabilities to March 31, 2021 was based on:

- An actuarial valuation (based on membership data provided by the Board) as at March 31, 2020;
- Methods prescribed by the Chartered Professional Accountants Canada for pension plan financial statements; and
- Assumptions about future events (economic and demographic) which were developed by management and Aon 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 appropriate for the purposes of the valuation and extrapolation, 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 are appropriate. My opinions have been given, and the valuation and extrapolation have been performed in accordance with accepted actuarial practice in Canada.



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

April 13, 2021

AUDITOR'S REPORT



KPMG LLP
Hill Centre Tower II
1881 Scarth Street, 20th Floor
Regina Saskatchewan S4P 4K9
Canada
Telephone (306) 791-1200
Fax (306) 757-4703

INDEPENDENT AUDITORS' REPORT

To the Members of the Legislative Assembly, Province of Saskatchewan

Opinion

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

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

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

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

Basis for Opinion

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

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

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

Other Information

Management is responsible for the other information. Other information comprises the 2021 Annual Report.

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

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

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

We have nothing to report in this regard.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.



Page 2

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Plan's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Plan to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



Page 3

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants

Regina, Canada
June 24, 2021

STATEMENT OF FINANCIAL POSITION

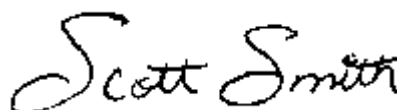
As at March 31, Thousands of dollars	Note	2021	2020
Assets			
Cash		\$ 1,665	\$ 1,362
Accounts receivable		5	7
Prepaid expenses		-	5
Accrued investment income		261	227
Investments under a securities lending program	5	26,025	22,668
Investments	5	1,004,208	941,319
		1,032,164	965,588
Liabilities			
Accounts payable		1,313	1,288
Net assets available for benefits		1,030,851	964,300
Pension obligations	9	992,773	941,045
Surplus		\$ 38,078	\$ 23,255

See accompanying notes to the financial statements

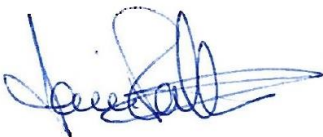
Approved by the Pension Board



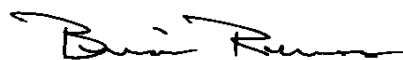
Peter Hoffmann – Chairperson



Scott Smith – Member



Jamie Patterson – Member



Brian Renas – Member



Andrew Malinowski – Member

June 24, 2021

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

For the year ended March 31,		2021	2020
Thousands of dollars	Note		
Net assets available for benefits, opening balance		\$ 964,300	\$ 1,030,935
Increase in assets			
Investment income	6	44,085	38,131
Unrealized increase in fair value of investments		90,777	-
Total increase in assets		134,862	38,131
Decrease in assets			
Benefits paid	7	64,925	65,944
Administration expenses	8	3,386	3,151
Unrealized decrease in fair value of investments		-	35,671
Total decrease in assets		68,311	104,766
Net increase (decrease) in assets		66,551	(66,635)
Net assets available for benefits, closing balance		\$ 1,030,851	\$ 964,300

See accompanying notes to the financial statements

STATEMENT OF CHANGES IN PENSION OBLIGATIONS

For the year ended March 31,		2021	2020
Thousands of dollars	Note		
Pension obligations, opening balance		\$ 941,045	\$ 1,026,310
Increase in pension obligations			
Interest on pension obligations		33,617	31,787
Impact of changes in assumptions	9	69,372	-
Experience losses	9	13,664	-
		116,653	31,787
Decrease in pension obligations			
Benefits paid	7	64,925	65,944
Impact of changes in assumptions	9	-	51,108
		64,925	117,052
Pension obligations, closing balance		\$ 992,773	\$ 941,045

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. The Plan is governed by *The Pension Benefits Act, 1992* (the Act). The Plan is registered under *The Income Tax Act* and *The Pensions Benefits Act, 1992*, registration #0360891, is regulated by the Financial and Consumer Affairs Authority of Saskatchewan – Pension Division and is administered by a five-person Board appointed by the Corporation and UNIFOR.

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 March 31, 2020.

The Plan is a Specified Plan, and in accordance with the Act, is not subject to funding any solvency deficits that may arise. The Corporation will continue to monitor the going concern position of the Plan and can, at any time, begin to fund again if necessary. 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.

All employee members have reached the maximum pensionable years of service and are no longer required to contribute to the Plan. As a result, employer current service contributions have ceased.

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.

Note 1 - Description of the Plan, continued

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. Dependents 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.

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 preparation**a. Statement of compliance**

The financial statements for the year ended March 31, 2021 have been prepared in accordance with Chartered Professional Accountants Canada Handbook (CPA Canada 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).

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 Plan's functional currency.

d. Use of estimates and judgments

The preparation of financial statements in accordance with Canadian accounting standards for pension plans requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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 period includes valuation of investments (Note 5 – Investments) and measurement of the pension obligations (Note 9 – Pension obligations).

Note 3 – Significant accounting policies

Basis of accounting

These financial statements 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.

Investments

Investments are stated in the financial statements at fair value. The fair value of short-term investments is based on cost, which approximates fair value due to the short-term nature of these financial instruments. The fair value of equity investments is determined based on quoted market values, based on the latest bid prices. The fair value of pooled equity funds is based on the quoted market values of the underlying investments, based on the latest bid prices. The fair value of pooled bond funds and pooled mortgage funds is based on the fair value of the underlying security determined using model pricing techniques that effectively discount prospective cash flows to present values taking into consideration duration, credit quality and liquidity. The fair value of pooled real estate investments is based on independent appraisals.

Transactions are recorded as of the trade date.

Investments under securities lending program

Securities lending transactions are entered into on a collateralized basis. The securities lent are not derecognized on the statement of financial position given that the risks and rewards of ownership are not transferred from the Plan to the counterparties in the course of such transactions. The securities are reported separately on the statement of financial position on the basis that the counterparties may resell or re-pledge the securities during the time that the securities are in their possession. Securities received from counterparties as collateral are not recorded on the statement of financial position given that the risks and rewards of ownership are not transferred from the counterparties to the Plan in the course of such transactions.

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 period end. Exchange gains and losses arising on the translation of monetary assets and liabilities are included in investment income.

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

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

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 SaskTel Pension Board employs a pension risk management strategy – Dynamic Investing, which addresses continued capital market volatility and the overall demographic trends for the Plan. The dynamic investing approach strives to ensure the assets of the Plan evolve to match the liabilities of the Plan.

Note 5 – Investments

The Fund has the following investments

As at March 31,	2021	2020
Thousands of dollars		
Investments		
Short term investments	\$ 2,743	\$ 13,125
Pooled real estate fund	158,030	167,381
Canadian equities	77,636	64,059
Canadian pooled equity fund	7,634	6,266
US pooled equity fund	101,949	105,338
Non-North American pooled equity funds	168,552	151,502
Pooled bond funds	388,083	340,704
Pooled mortgage fund	99,581	92,944
	1,004,208	941,319
Investments under securities lending program		
Short term investments	10,726	-
Canadian equities	15,299	22,668
	26,025	22,668
Total investments	\$ 1,030,233	\$ 963,987

Short term investments

Short term investments are comprised of treasury bills, notes and commercial paper with a market yield of 0.1% to 1.0% (2019/20 – 0.2% to 1.0%) and an average term to maturity of 29.0 days (2019/20 – 82.3 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 0.0% (2019/20 – 2.2%) of the fair value of the short-term investment portfolio.

Pooled real estate

Investments in pooled 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 March 31, 2021, 9.05% (March 31, 2020 – 8.7%) 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 March 31, 2021, 0.77% (March 31, 2020 – 0.03%) was the largest individual holding.

*Note 5 – Investments, continued***Pooled bond funds**

Individual holdings are limited, by Fund policy, to a maximum of 10% of the market value of each investment. At March 31, 2021, 4.88% (March 31, 2020 – 3.28%) was the largest individual holding.

Fund holdings are selected based on the durations which align with the maturity profile of the Plan's liabilities as part of the Dynamic Investing Policy.

Fund	2021			2020		
	Amount (\$000)	Yield (%)	Duration (years)	Amount (\$000)	Yield (%)	Duration (years)
TD Greystone three year target duration fund	\$ 42,356	1.0	3.0	\$ 5,805	1.9	3.0
TD Greystone eight year target duration fund	102,601	2.2	8.0	99,525	2.3	8.0
TD Greystone fifteen year target duration fund	138,154	2.9	15.0	127,571	2.7	15.0
TD Greystone twenty plus year target duration fund	104,972	2.9	25.0	107,802	2.5	25.0
	\$388,083			\$340,704		

Pooled mortgage fund

Investments in pooled mortgage fund consist of mortgages secured against Canadian property.

Note 6 – Investment income

For the year ended March 31,	2021	2020
Thousands of dollars		
Short term investments	\$ 57	\$ 311
Canadian equities	3,287	3,417
Canadian pooled equity fund	184	823
US pooled equity fund	1,807	2,728
Non-North American pooled equity funds	6,470	7,012
Pooled bond funds	26,988	20,947
Pooled mortgage fund	5,292	2,893
	\$ 44,085	\$ 38,131

Note 7 – Benefits paid

For the year ended March 31,	2021		2020	
Thousands of dollars				
Retirement benefits	\$	57,645	\$	58,914
Death benefits		7,280		7,030
	\$	64,925	\$	65,944

Note 8 - 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.

For the year ended March 31,	2021		2020	
Thousands of dollars				
Investment management expenses				
Investment management	\$	2,675	\$	2,540
Investment consultant		149		147
Custodian		60		49
Brokerage commissions		45		23
		2,929		2,759
Non-investment management expenses				
Plan administration		296		293
Actuary		65		9
Governance consultant		45		22
Audit		25		25
Board		16		33
Other		10		10
		457		392
Total administration expenses	\$	3,386	\$	3,151

Note 9 – 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 March 31, 2020 and extrapolated to March 31, 2021 by Aon, a firm of consulting actuaries. The next valuation is scheduled to be completed March 31, 2023.

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, the Pension Board applies best estimate assumptions on these and other future economic events.

Experience Loss and Impact of Assumption Changes Detail

For the year ended March 31,	2021	2020
Thousands of dollars		
*Experience loss	\$ (13,664)	\$ -
(Loss) gain due to impact of assumption changes	(69,372)	51,108
	\$ (83,036)	\$ 51,108

* Plan experience items only happen each time a new valuation is performed.

Following are the significant assumptions used to determine the actuarial present value of pension obligations:

As at March 31,	2021	2020
Significant Assumption		
Discount Rate	3.10%	3.70%
Inflation	2.25%	2.25%
Future Indexing	1.60%	1.60%

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

	<u>Long-Term Assumptions</u>					
	Discount Rate		Inflation		Future Indexing	
	4.10%	2.10%	3.25%	1.25%	2.0%	0.6%
(Thousands of dollars)						
Increase (decrease)						
in liability	\$ (98,411)	\$ 117,696	\$ (57,180)	\$ (11,314)	\$ 45,476	\$(111,544)

The Plan Text guarantees future indexing at 100% of CPI to a maximum of 2%.

Mortality rates were applied utilizing the Canadian Pensioner 2014 – Private Sector Mortality Table at 100% for males and 110% for females projected generationally with CPM Improvement Scale MI-2017. For the previous period mortality rates were applied utilizing the Canadian Pensioner 2014 – Private Sector Mortality Table at 100% for males and 110% for females projected generationally with CPM Improvement Scale B.

The pension obligations are long term in nature. The Plan has no intention of settling this obligation in the near term.

Note 10 – Financial instruments

The Plan's financial instruments include cash, short term investments, pooled bond funds, equities, pooled equity funds, a pooled mortgage fund and a pooled real estate fund, 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.

Interest rate risk

The Plan is exposed to interest rate risk primarily through its pooled bond funds, a pooled mortgage fund and short term investments. Fair value adjustments will fluctuate based on changes in market prices. The pooled bond funds consist of mostly provincial and 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 pooled bond funds, a pooled mortgage fund and short term investments. It is estimated that a 100 basis point increase/decrease in interest rates would decrease/increase net assets available for benefits by \$60.7 million representing 12.1% of the carrying value of \$501.1 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 funds. Exposure to both U.S. equities and non-North American equities is limited to a maximum 32.5% total of the market value of the total investment portfolio. At March 31, 2021 the Plan's exposure to U.S. equities was 9.9% (March 31, 2020 – 10.9%) and its exposure to non-North American equities was 16.4% (March 31, 2020 – 15.7%).

At March 31, 2021, a 10% strengthening (weakening) in the Canadian dollar versus U.S. dollar exchange rate would result in approximately a \$10.2 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 \$16.9 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 2021.

Note 10 – Financial instruments, continued

Equity price risk

The Plan is exposed to changes in equity prices in Canadian, U.S. and EAFE markets. Equities comprise 36.0% (March 31, 2020 – 36.3%) 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 fiscal periods, using a 95% confidence level. As such, it is expected that the annual change in the portfolio market value will not be more than the values outlined in the following table 95% of the time (19 times out of 20 years), based on period end market values. Stated differently, there is a 5% statistical probability that the equity portfolio values would change by more than the values noted below.

As at March 31,	2021	2020
Thousands of dollars		
Canadian equities	\$ (22,221)	\$ (21,218)
US equities	(10,931)	(13,177)
Non-North American equities	(29,118)	(28,187)

Credit risk

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

As at March 31,	2021	2020
Thousands of dollars		
Cash	\$ 1,665	\$ 1,362
Accrued investment income	261	227
Pooled bond funds	388,083	340,704
Pooled mortgage fund	99,581	92,944
Short term investments	13,469	13,125
	\$ 503,059	\$ 448,362

Credit risk within investments is primarily related to pooled bond funds, a pooled mortgage fund and short term investments. It is managed through the investment policy that limits the amount that is to be invested in pooled bond funds.

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.

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. Accounts payable are due within one year.

Note 10 – 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.

As at March 31, Thousands of dollars	2021				2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Pooled bond funds	\$ -	\$ 388,083	\$ -	\$ 388,083	\$ -	\$340,704	\$ -	\$ 340,704
Canadian equities	92,935	-	-	92,935	86,727	-	-	86,727
Canadian pooled equity fund	7,634	-	-	7,634	6,266	-	-	6,266
US pooled equity fund	101,949	-	-	101,949	105,338	-	-	105,338
Non-North American pooled equity funds	168,552	-	-	168,552	151,502	-	-	151,502
Pooled mortgage fund	-	99,581	-	99,581	-	92,944	-	92,944
Pooled real estate	-	-	158,030	158,030	-	-	167,381	167,381
Short term investments	-	13,469	-	13,469	-	13,125	-	13,125
Total	\$371,070	\$ 501,133	\$158,030	\$1,030,233	\$349,833	\$446,774	\$167,381	\$ 963,987

There were no items transferred between levels during the current fiscal period.

The following is a reconciliation of the changes in the investments owned, measured at fair value using unobservable inputs, Level 3:

For the year ended March 31, Thousands of dollars	2021	2020
Level 3, Beginning balance	\$ 167,381	\$ 173,388
Sales	(7,000)	(20,650)
Unrealized change in market value	(2,352)	14,643
Level 3, Ending balance	\$ 158,030	\$ 167,381

Note 11 – 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 Board reviews the investment performance of the Fund in terms of the performance of the benchmark portfolio over rolling 4 fiscal periods.

For the year ended March 31,	2021	2020
	Return (%)	
Plan's actual rate of return	14.1	-0.1
Benchmark rate of return	14.4	-0.1

For the year ended March 31,	2021	2020
	Rolling four-year average annual return (%)	
Plan's actual rate of return	6.8	6.0
Benchmark rate of return	6.9	5.6

Note 12 – Related party transactions

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

For the year ended March 31,	2021	2020
Thousands of dollars		
Plan administration expenses	\$ 296	\$ 293
Other administration expenses	10	10
Total	\$ 306	\$ 303

Note 13 – COVID-19 impact assessment

The COVID-19 pandemic has caused material disruption to organizations and has resulted in significant economic uncertainty as the Plan has been subject to market fluctuations and may continue to experience significant volatility as the situation evolves. The duration and impact of this pandemic is unknown at this time and as such, an estimate cannot be made of the potential impact on the Plan's future operating results.

**SCHEDULE OF ACCUMULATED NET ASSETS AVAILABLE FOR BENEFITS
FOR THE PERIOD FROM MAY 1, 1928 TO MARCH 31, 2021**

Thousands of dollars

CUMULATIVE INCREASE IN ASSETS		
Investment income net of administration expenses	\$	1,289,244
Cumulative increase in fair value of investments		884,226
Contributions		
Employers'		367,763
Employees' - Active	934	
- Retired, deferred	109,205	
- Resigned	16,201	
- Transferred	649	126,989
Early and enhanced retirement adjustments		19,450
Employer withdrawal		(34,200)
Employees' interest on back contributions		729
		2,654,201
CUMULATIVE DECREASE IN ASSETS		
Payments to superannuates and beneficiaries	1,589,467	
Refund of employees' contributions	12,991	
Interest on refunded employees' contributions	5,842	
Transfer of contributions	7,623	
Transfer of interest on contributions	7,281	
Supplementary retirement payments		
to employees not eligible for pension	93	
Death benefit (matching amount)	36	
Interest on employee's savings plan	17	1,623,350
NET ASSETS AVAILABLE FOR BENEFITS AT MARKET VALUE - MARCH 31, 2021	\$	1,030,851