SaskTel Pension Plan News

July 2020

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Message from the Chair

The past year has been productive for the SaskTel Pension Plan (the Plan) and it continues to be in a sound financial position.

The Plan's investment portfolio was not immune to the economic fallout of the COVID-19 pandemic. However, the assets held up relatively well as the portfolio returned –0.1% for the year ended March 31, 2020, and is valued at $964 million. Total annual benefits paid to Plan members during the year were $65.9 million and the expense ratio for the Plan was 0.33%. The Pension Board remains focused on the financial health of the plan, and to this end it closely monitors the investment performance of its various investment managers. As well, with the support of the investment consultant we continue to perform forward-looking analysis to keep the Plan on sound financial footing for the long term.

A key accomplishment in the past year was the review and updating of the Plan's governance practices and documentation. The Board engaged J.J. McAteer & Associates to provide an independent assessment of the Plan's governance manual and processes to ensure it is in alignment with the current best practice as detailed in the Canadian Association of Pension Supervisory Authorities (CAPSA) Guideline No. 4 published in December 2016. They also provided support in the actual updating of the manual.

The Board is making a concerted effort to improve access to information and transparency for members. As such the Statement of Investment Policies and Goals, Dynamic Investment Monitoring Policy and the two most recent actuarial valuation reports are posted on the Plan's website. Other Plan documents and Plan information including the 2019-20 Annual Report and the updated Governance Manual will be accessible on the Plan's website https://www.sasktel.com/sasktel-pension-plan/home in the near future.

I hope you find this newsletter informative and that it finds you in good health.

Peter Hoffmann
SaskTel Pension Plan Chair

Pension Board Trustees

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Annual Pension Increase

The annual pension increase is 1.95% which reflects the increase in the average consumer price index for Canada from December 2018 to December 2019. The increase was effective April 1, 2020.

Email Address

The Pension Plan's email address is sasktel.pensionplan@sasktel.com. Please use this email to ensure that your message is received and addressed in a timely manner.

2019/20 Pension Payment Schedule

Pension payments are deposited directly to your account on the last business day of the month except for December.

2020	
Mon	August 31
Wed	September 30
Fri	October 30
Mon	November 30
Wed	December 23
2021	
Fri	January 29
Fri	February 26
Wed	March 31
Fri	April 30
Mon	May 31
Wed	June 30
Fri	July 30
Tue	August 31

Power of Attorney

Do you have an active power of attorney looking after your affairs, or are you a power of attorney looking after a plan member's affairs?

We require a copy of a power of attorney on file before we can communicate with anyone other than the plan member regarding their pension details. Please ensure that you provide a copy of the legal document to us to avoid delays in responding to your inquiries.

Life Events

To ensure uninterrupted service, please notify us immediately of any changes in mailing address, banking details, marital status, or power of attorney.

Benefit Questions

For questions about your Plan benefits please see the Plan website or call us (see our contact information on the last page of this newsletter).

For questions regarding your life insurance please contact PEBA by calling 1-306-787-3440.

2019/20 Annual Report Highlights

As at March 31, 2020

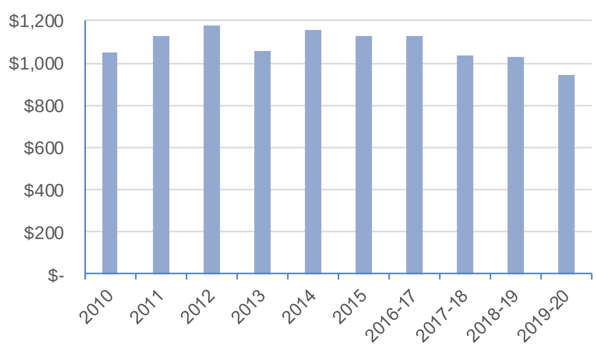
Year at a glance

- **Going Concern status: 101.8%**
- **Solvency status: 84.3%**
- **Net assets: $964 million**
- **Pension obligations: $941 million**
- **Accounting surplus: $23 million**
- **Accounting status: 102.5%**
- **Total membership: 1,885**

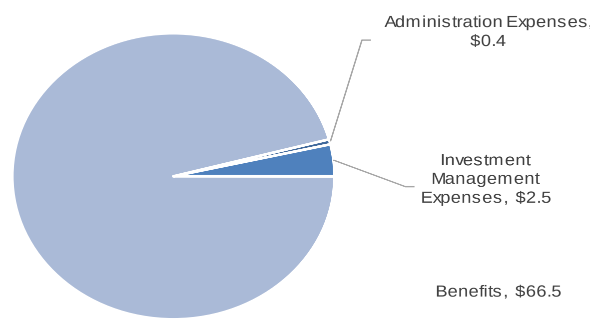
Summary of Financial Position

($ thousands)	**March 31, 2020**	March 31, 2019
Net assets available for benefits	964,300	1,030,935
Pension obligation	941,045	1,026,310
Surplus	23,255	4,625

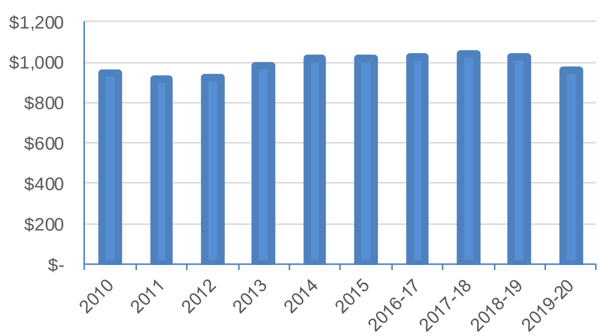
Plan Obligations (millions)



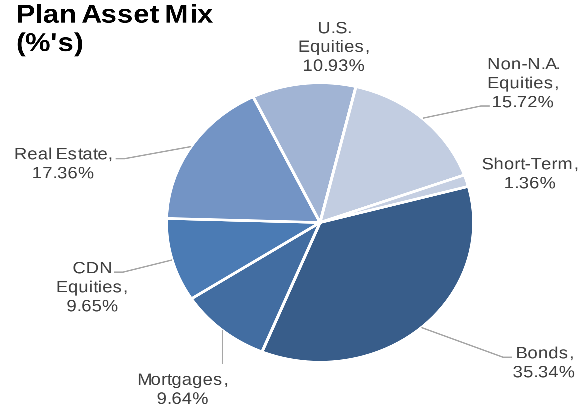
Plan Expenses (millions)



Plan Assets (millions)



Plan Asset Mix (%'s)



Investment Performance

A decade-long bull market came to an abrupt halt as the COVID-19 outbreak in China turned into a global pandemic. After reaching all-time highs in mid-February, global equities sold off sharply as infection numbers grew and governments worldwide ramped up virus containment measures. In Canadian dollar terms, the MSCI All Country World Index (a barometer for global equity markets) fell by 13.7% in Q1 2020, offsetting previous gains, and ending down 5.4% for the year ended March 31, 2020.

The Canadian equity market was amongst the worst performing equity markets during the past year with the S&P/TSX Composite falling 20.9% in Q1 2020, briefly falling to its lowest level since 2011. Over the past year the index is down 14.2%. The Canadian equity market's heavy exposure to commodities was a major driver of underperformance, with collapsing oil prices over the past quarter, and lower global demand for commodities due to the pandemic having a major impact. As a result, the energy sector continued to lag the overall market, falling 33.9% over the past year. Information Technology and Utilities were the only areas of the market with a positive return over the past year as these sectors are experiencing relatively limited business interruptions from social distancing measures.

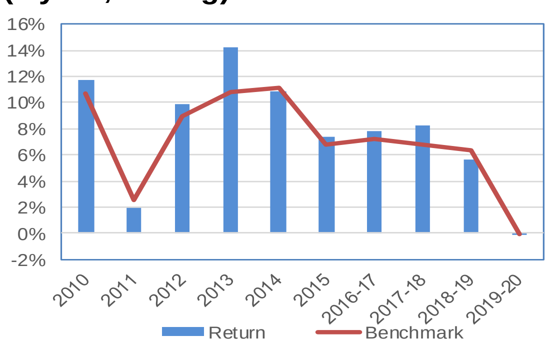
The S&P 500 Index fell 19.6% in the first quarter of 2020, and 7.0% over the past year in U.S. dollar terms. However, the U.S. dollar appreciated significantly on the back of "safe haven" fund flows, bringing the Canadian dollar return for U.S. equities to -12.1% in Q1 2020 and -1.3% over the past year. Similar to the Canadian market, the Energy sector was the worst performing sector over the year while Information Technology was the best performer.

The MSCI EAFE Index, representing non-North American developed equity markets, had a Canadian dollar return of -15.7% in the latest quarter and -9.2% over the year ended March 31. Europe was amongst the worst impacted by COVID-19 with the region accounting for a majority of the world's confirmed cases as at the end of March. This deteriorating situation and the relatively limited scope of fiscal and monetary stimulus was a drag on investor sentiment. UK equities were amongst the hardest hit, with its sizable resource sector, comprising of oil & gas and basic materials companies, exposed to the crash in crude oil prices. Within the MSCI EAFE Index, Health Care was best performer followed by Information Technology and Utilities. Energy was the worst performer.

Fixed income returns over the past year were positive, with government bonds outperforming corporates as investors flocked to safe haven assets amidst the equity market sell-off in the latest quarter. Bond yields fell substantially since last year as central banks around the world cut interests and implemented quantitative easing measures, which drove prices up and yields down. For the annual period ended March 31, 2020, the FTSE Canada Universe Bond Index returned 4.5%, while long-term bonds returned 5.6%. The Plan's bond portfolio is customized to reflect the duration of the liabilities, which are relatively long term in nature, and returned 5.6% over the year.

The Total Fund matched the benchmark over the year, returning -0.1%. Underperformance from Beutel Goodman in their Canadian equity strategy was offset by outperformance from GMO (global and emerging market equities) and TDAM mandates (bonds, real estate and mortgages). Longer-term performance continues to track ahead of benchmark; the Total Fund met its primary performance objective over the four-year (6.0% vs. 5.6%) and ten-year (7.7% vs 7.3%) periods. The plan's real return objective of 3.5% was also met over both periods.

Annual Return (1 year, trailing)



- 2017 return is 15 month return as at March 31, 2017

Investment allocations are governed by the Statement of Investment Policies and Goals, a vital document in the management of plan assets.

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Actuarial Report Summary

Significant Assumptions

- **Net investment return: 5.00% (6.35% previous)**
- **Average annual pension increase: 1.6% (2% previous)**
- **Average inflation 2.25% (2.50% previous)**

In 2018, the Pension Board filed an actuarial valuation for the Plan as of March 31, 2017 as required by *The Pension Benefits Regulations* 1993. The next valuation will be completed in 2020.

Going Concern

The Plan was in a surplus position using the going concern method of $22 million at March 31, 2017, up from a $10 million surplus at the end of 2013, the previous valuation year.

The increase in surplus was mainly due to favourable asset performance, offset by an increase in liabilities due to the net effect of changes in assumptions as well as the Board's decision to increase the provision for adverse deviation, or "safety margin" from 10% to 12%, increasing the reserve from $88 million in 2013 to $108 million in 2017.

Solvency

The solvency valuation at March 31, 2017 was calculated to be a deficit of $158 million, up from the December 31, 2013 $156 million deficit.

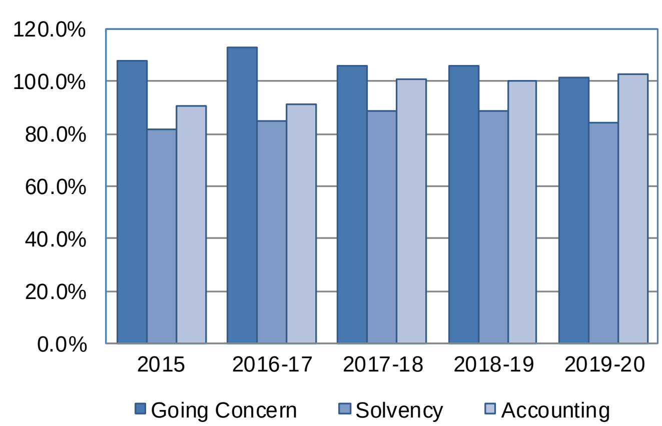
The decrease in solvency is attributed to a slight decline in interest rates, partially offset by favourable asset performance.

2020 Update

The Board receives interim updates on a regular basis in order to monitor the health of the Plan.

As at March 31, 2020, the going concern valuation showed a surplus of $17 million, down from the $22 million at the end of March 31, 2017. The solvency valuation decreased to a $179 million deficit from a deficit of $158 million at March 31, 2017.

Valuation Ratios



Summary of Valuation Measures

Surplus (Deficit) in millions

	2020 Interim	2017 Valuation	2013 Valuation
Going Concern (Funding)			
Assets	$964	$1,030	$982
Actuarial Liabilities	(846)	(900)	(884)
Provision for Adverse Deviation	(102)	(108)	(88)
Going Concern	$ 17	$ 22	$ 10
Solvency	$ (179)	$ (158)	$ (156)
Accounting	$ 23	$ (101)	$ (75)

What is an actuarial valuation?

The Plan works with an independent actuary on an ongoing basis in order to monitor the financial health of the Plan.

Performing a valuation is an exercise in predicting the future - we don't really know what is going to happen, but through the use of advanced computer modeling the actuary is able to take a set of assumptions on future events and produce an estimate of the Plan's status.

The assumptions we make about what lies ahead are based on what we know to be true today and what we have experienced in the past. Some of the larger assumptions we make include:

- Investment returns
- Inflation rates
- Interest rates
- How long we live

Some assumptions are used to calculate the value of assets and some are used to calculate the value of current and future pension obligations. The actuary compares the assets to the estimated obligations and determines whether the Plan is properly funded.

The Three Valuation Figures

The actuary prepares three assessments of the Plan's financial well-being:

- Going concern (Funding)
- Solvency
- Accounting

Each of the values looks at the Plan in a different way.

Going Concern (Funding)

The main valuation is the Going Concern method, also called the Funding valuation. This views the Plan over a long time horizon. It is the method used by actuaries to measure the ability of the Plan to meet current and future obligations to plan members. It is also the method used by the provincial regulator to determine whether SaskTel must contribute additional funding to the Plan.

Solvency

The Solvency method views the Plan as if it were to cease operations immediately and pay out lump sum payments to members. This method provides additional insight to the Trustees.

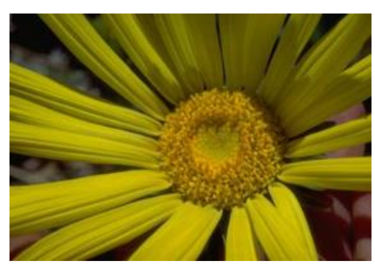
Accounting

The final method is the Accounting method, which is based on the accounting rules used in the preparation of financial statements. It is this method that you see when reading the Annual Report for the Plan.

The assumptions used in an actuarial study are best estimate of what the future may bring. Actual results may differ from the assumptions.

For example, while the assumptions use an average annual pension increase of 1.6%, that does not change the actual increases that may occur. In any given year the actual increase may be as high as 2% or as low as 0%, depending on the average value of the Canada Consumer Price Index.

SaskTel has the ultimate responsibility to ensure that the pension obligations are paid. As the sponsor of the Plan, SaskTel remains committed to meeting all funding requirements necessary to fulfill pension obligations to plan members. SaskTel closely monitors the going concern funded position and will fund any shortfalls, should they occur, in accordance with provincial regulations.



Year in Review

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.

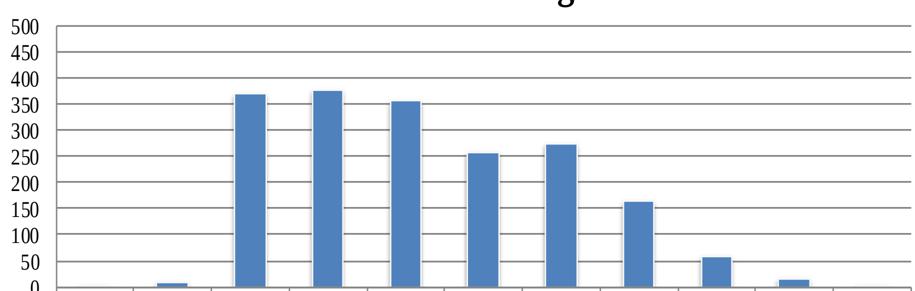
Activities completed by the Board during 2019/20 included:

- Completed all governance requirements
- Reviewed investment performance quarterly
- Completed a project to review the governance program
- Reviewed the strategic plan and risk objectives
- Reviewed financial and administrative risk controls
- Reviewed and updated the investment asset mix
- Pension Board Members completed a combined 222 hours of educational activity

Plan Member Data

At March 31, 2020, the average age of all Plan members was 73.8 years.

Plan Member Ages



	<55	55 - 59	60 - 64	65 - 69	70 - 74	75 - 79	80 - 84	85 - 89	90 - 94	95 - 99	100+
COUNT	1	9	370	378	356	258	274	164	58	15	2

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Established in 1928, the Plan is a contributory-defined benefit pension plan. It has been closed to new members since 1977.

Effective January 1, 1999, the Plan is governed by the Pension Benefits Act, 1992 (the Act). Prior to January 1, 1999, the Plan was governed by the Saskatchewan Telecommunication Superannuation Act and the Superannuation (Supplementary Provisions) Act. The Plan is registered under The Income Tax Act and The Pensions Benefits Act, 1992. It's administered by a Board appointed by the Corporation and Union consisting of 4 members plus an independent chair.