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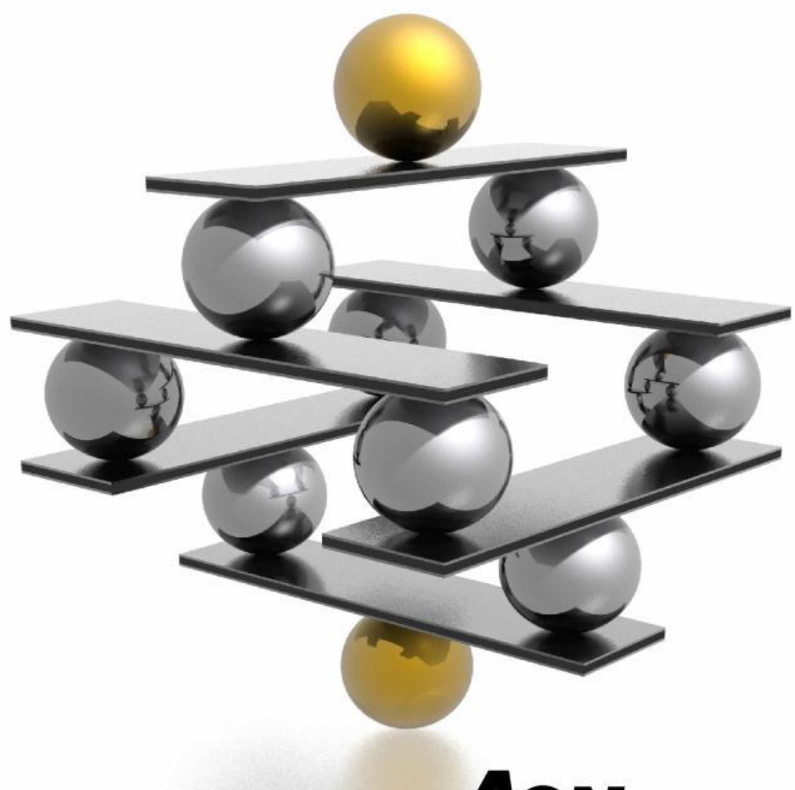
Actuarial Report on the Saskatchewan Telecommunications Pension Plan as at December 31, 2013

June 25, 2014



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Executive Summary

An actuarial valuation has been prepared for the Saskatchwean Telecommunications Pension Plan (the "Plan") as at December 31, 2013 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 December 31, 2016.

Summary of Principal Results

	December 31, 2013		December 31, 2010	
	Going Concern	Solvency	Going Concern	Solvency
Assets	$ 982,435,000	$ 981,935,000	$ 946,594,000	$ 945,668,000
Liabilities	972,871,000	1,137,669,000	924,460,000	1,107,286,000
Surplus/(Deficit)	**$ 9,564,000**	**$ (155,734,000)**	**$ 22,134,000**	**$ (161,618,000)**
Funded Ratio	101.0%	86.3%	102.4%	85.4%

Current Service Cost

As of December 31, 2013, all active members have attained the service cap of 35 years. In accordance with the plan text, active members are not to accrue any futher benefits and, as such, the current service cost for future Plan years is nil. This is shown, along with the current service cost from the December 31, 2010 valuation as follows:

	December 31, 2013	December 31, 2010
Total current service cost	$ n/a	$ 848,000
Expected member contributions	n/a	(185,000)
Expected employer contributions	n/a	663,000

Executive Summary

Key Assumptions

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

	December 31, 2013		December 31, 2010	
	Going Concern	**Solvency**	**Going Concern**	**Solvency**
Net Discount rate	6.35%	Annuity purchases: 3.9% Transfers: 3.0% for 10 years, 4.6% thereafter	6.25%	Annuity purchases: 4.50% Transfers: 3.3% for 10 years, 5.0% thereafter
Inflation rate	2.5%	n/a	2.5%	n/a
Pensionable earnings	3.5%	n/a	3.5%	n/a
Mortality table	UP94@2014 with generational projection using Scale CPM-B	UP94 with generational projection using Scale AA	UP94 projected to 2020 using Scale AA	UP94 projected to 2020 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 R. Larsen, FSA, FCIA

Partner

Johanan Schmuecker, ASA, ACIA

Consultant

June 25, 2014

Section 1: Introduction

Purpose and Terms of Engagement

We have been engaged by Saskatchewan Telecommunications, and hereafter collectively referred to as "SaskTel", to conduct a valuation of the Plan as at December 31, 2013 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 December 31, 2013;
- determine the financial position of the Plan on a solvency basis as at December 31, 2013;
- determine the funding requirements of the Plan as at December 31, 2013; 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, 2010. Since the time of the last valuation, the following changes have occurred:

- The going concern discount rate, mortality table and expense assumption were changed (see Appendix C for details);
- The adoption of a going concern basis that uses best estimate assumptions with margin for conservatism being established as an explicit dollar reserve rather than as margins in the going concern assumptions; and
- On June 25, 2013, *The Pension Benefits Amendment Regulations, 2013* were proclaimed, which impact the minimum prescribed funding requirements for the Plan as at December 31, 2013

Section 1: Introduction

Information and Inputs

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

- Membership data compiled as at December 31, 2013 by SaskTel;
- Asset data taken from the Plan's financial statements; and
- Information concerning events occurring subsequent to December 31, 2013 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 February 13, 2014, the Canadian Institute of Actuaries (CIA) released their final report and mortality tables from their study of Canadian pensioner mortality levels and trends. For the purposes of this report, we have continued to use the base mortality rates from the UP94 table. However, we have projected mortality improvements to 2014 using Scale AA and have projected future mortality improvements on a generational basis using Scale CPM-B, which was developed as part of the CIA study. Note that the results of the CIA pensioner mortality study do not yet have an impact on the solvency basis results.

On May 20, 2014, the Plan trustees implemented a de-risking shift in the Plan's target asset mix, effective June 1, 2014. The discount rate, which is based on the long-term expected return on assets has taken this change into account. The change in asset mix decreased the long-term return expectations for the Plan, which served to increase liabilities as at December 31, 2013.

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 December 31, 2013 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 December 31, 2013 is shown in the following table. The results as at December 31, 2010 are also shown for comparison purposes.

	December 31, 2013	**December 31, 2010**
Assets		
Market Value of Assets	$ 982,435,000	$ 945,668,000
Present Value of Future Employer Contirbutions	-	202,000
Present Value of Future Employee Contributions	-	724,000
Actuarial Value of Assets	**$ 982,435,000**	**$ 946,594,000**
Going Concern Liabilities		
Accrued Liability for Active and Disabled members	$ 39,354,000	$ 83,412,000
Future Liability for active members	-	926,000
Superannuates	761,870,000	766,795,000
Spouses	53,707,000	45,811,000
Deferred pensioners	-	258,000
Provisions for future expenses to be paid from the Plan	29,497,000	27,258,000
Provisions for adverse deviation	88,443,000	n/a
Total Liabilities	**$ 972,871,000**	**$ 924,460,000**
Surplus/(Unfunded Liability)	**$ 9,564,000**	**$ 22,134,000**
Funded Ratio	**101.0%**	**102.4%**

Section 2: Going Concern Valuation Results

Change in Financial Position

During the period from December 31, 2010 to December 31, 2013, the financial position of the Plan changed from a surplus of $22,134,000 to a surplus of $9,564,000. 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, 2010 to December 31, 2013

Surplus as at December 31, 2010	**$**	**22,134,000**
Interest		4,640,000
Special payments with interest		17,978,000
Expected Surplus as at December 31, 2013	**$**	**44,752,000**
Change in liabilities due to experience gains/(losses)		
Gain due to actuarial return on assets greater than expected		51,591,000
Gain due to retirement experience different than expected		7,035,000
Gain due to pensioner indexing less than expected		5,810,000
Gain due to contributions greater than expected		403,000
Loss due to actual expenses greater than expected		(1,222,000)
Loss on pensioner mortality experience		(1,219,000)
Surplus as at December 31, 2013 before assumption changes	**$**	**107,150,000**
Change in discount rate assumption		11,176,000
Change in expense assumption		(2,414,000)
Change in mortality assumption		(17,905,000)
Addition of explicit provision for adverse deviations		(88,443,000)
Surplus as at December 31, 2013	**$**	**9,564,000**

Section 2: Going Concern Valuation Results

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 going concern liabilities and the total current service cost of using a discount rate 1% lower than that used for the going concern valuation.

	Valuation Basis December 31, 2013	Based on Rate of 1% Lower	Effect $	Effect %
Going Concern liabilities	$ 854,931,000	$ 944,279,000	$ 89,348,000	10.5%
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 December 31, 2013 is shown in the following table. The solvency financial position of the Plan as at December 31, 2010 is shown for comparison purposes.

	December 31, 2013	December 31, 2010
Assets		
Solvency assets	$ 982,435,000	$ 945,668,000
Estimated wind up expenses	(500,000)	(500,000)
Total Assets	**$ 981,935,000**	**$ 945,168,000**
Solvency Liabilities		
Active and Disabled members	$ 57,072,000	$ 98,202,000
Retired members	1,013,532,000	953,788,000
Survivors	67,065,000	54,538,000
Deffered members	-	258,000
Total Liabilities	**$ 1,137,669,000**	**$ 1,106,786,000**
Solvency Surplus/(Deficiency)	**$ (155,734,000)**	**$ (161,618,000)**
Solvency Ratio	**86.3%**	**85.4%**

Section 3: Solvency Valuation Results

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 times 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 ($52,500 x 5% = $2,625.00 for 2014) 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	981,935,000
Solvency liabilities	1,137,699,000
Ratio	0.863

Since the ratio of the solvency assets to the solvency liabilities is less than 1.0 as at December 31, 2013, 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 December 31, 2013	Based on Rate of 1% Lower	Effect $	Effect %
Solvency liabilities	$ 1,137,669,000	$ 1,285,377,000	$ 147,708,000	13.0%

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

Section 3: Solvency Valuation Results

Incremental Cost on a Solvency Basis

The incremental cost on a solvency basis represents the present value at December 31, 2013 of the expected aggregate change in the solvency liabilities between December 31, 2013 and the next calculation date, which is December 31, 2016. Appendix E 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 December 31, 2013 to December 31, 2016, is $2.6 million.

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 $155,734,000 is not required to be amortized. However, if the Plan were not a Specified Plan, minimum monthly special payments from January 2014 through December 2018 of $2,852,000 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 December 31, 2013 is determined as 25% of $972,871,000, or $243,218,000. Since the going concern surplus of $9,564,000 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; plus
- 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.

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Section 4: Contribution 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 December 31, 2013. I confirm that I have prepared an actuarial valuation of the Plan as at December 31, 2013 for the purposes outlined in the Introduction section to this report and consequently:

I 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 December 31, 2016.

I hereby certify that, in my opinion:

1. With respect to the purposes of determining the Plan's financial position on a going concern basis as at December 31, 2013:

   a) The Plan has a going concern surplus (excess of assets over liabilities) of $9,564,000 as at December 31, 2013, based on total assets of $982,435,000 and liabilities of $972,871,000.

   b) There is no excess surplus as defined by Section 147.2(2) of the *Income Tax Act* in the Plan at December 31, 2013.

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 $155,734,000 as at December 31, 2013, determined as solvency assets of $981,935,000 less solvency liabilities of $1,137,669,000.

   b) The solvency ratio is 0.863 at December 31, 2013.

   c) The Plan's liabilities would exceed the Plan's assets by $155,734,000 if the Plan was terminated and wound-up as at December 31, 2013.

Section 5: Actuarial Certificate

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 2014 is nil. This is the result of all currect 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, in aggregate, 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 my 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

June 25, 2014

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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.	Balanced Fund
Beutel Goodman & Company Ltd.	Canadian equities
TD Asset Management	U.S. Equities Index
Grantham, Mayo, Van Otterloo & Company	Specialty 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.

Appendix A: Assets

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 June 1, 2014:

Assets	**Minimum %**	**Benchmark* %**	**Maximum %**
Equities			
Canadian equities	7.5	12.5	17.5
US equities	7.5	12.5	17.5
Non-North American equities	12.0	17.0	19.0
Emerging Markets equities	2.0	3.0	4.0
Total Equities	40.0	45.0	50.0
Real Estate	10.0	15.0	20.0
Fixed Income			
Canadian Custom Bonds	30.0	38.0	45.0
Mortgages	0.0	0.0	7.0
Short-term investments	0.0	2.0	10.0
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.

Appendix A: Assets

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 December 31, 2013, including any in-transit amounts at December 31, 2013. For comparison purposes, the composition at December 31, 2010 is also shown.

	Market Value			
Assets	**December 31, 2013**	**%**	**December 31, 2010**	**%**
Total bonds	$ 270,193,000	27.5	$ 235,469,000	25.0
Real estate	$ 131,488,000	13.4	$ 86,723,000	9.2
Equities				
Canadian	$ 151,814,000	15.4	$ 240,727,000	25.5
US	164,904,000	16.8	143,248,000	15.2
Non-North American	259,550,000	26.4	161,295,000	17.1
Total equities	$ 576,268,000	58.6	$ 545,270,000	57.8
Short term investments	$ 5,252,000	0.5	$ 75,181,000	8.0
Total Market Value of Assets	**$ 983,201,000**	**100.0**	**$ 942,643,000**	**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	**$ 983,201,000**
Cash	396,000
Accrued investment income	1,000
Accounts receivable	3,000
Accounts payable	(1,166,000)
Net assets available for benefits	**$ 982,435,000**

Appendix A: Assets

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

	2011	2012	2013
Market value at beginning of year	**$ 945,668,000**	**$ 907,811,000**	**$ 925,784,000**
Employee contributions	198,000	39,000	-
Employer contributions	16,005,000	134,000	-
Investment income including realized and unrealized gains	15,100,000	88,293,000	128,034,000
Lump-sum payments	-	-	(171,000)
Pension payments	(66,408,000)	(67,699,000)	(68,137,000)
Administrative costs	(2,752,000)	(2,794,000)	(3,075,000)
Market value at end of year	**$ 907,811,000**	**$ 925,784,000**	**$ 982,435,000**
Net Rate of Return	1.3%	9.8%	14.0%

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 (%)
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%
2004	11.6%
2003	10.9%
2002	(2.7%)

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Appendix B: Membership Data

Source of Data

Data as to the membership of the Plan was compiled as at December 31, 2013 and provided by SaskTel. The relevant data required as of December 31, 2013 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	Deferred pensioners	Superannuates	Spouses	Total
As at December 31, 2010	**116**	**1**	**1,803**	**252**	**2,172**
New members/survivors	0	0	2	0	2
New pension from marital split	0	0	0	0	0
Deaths – to Spouse	(1)	0	(61)	62	0
Deaths – payments cease	(1)	0	(46)	(27)	(74)
Terminations – paid out	0	0	0	0	0
Terminations – to Deferred	0	0	0	0	0
Retirements	(57)	(1)	58	0	0
As at December 31, 2013	**57**	**0**	**1,756**	**287**	**2,100**

Appendix B: Membership Data

Membership Data

Active Members

	December 31, 2013			December 31, 2010
	Males	**Females**	**Total**	**Total**
Membership	38	19	57	116
Average age	59.7 years	57.1 years	58.9 years	56.0 years
Average pensionable service	39.2 years	38.1 years	38.8 years	35.4 years
Percent of total	67%	33%	100%	100%
Average salary	$85,823	$65,219	$78,955	$76,518
Total employee contributions with interest	$12,872,232	$4,419,052	$17,291,283	$29,650,230
Expected average remaining service lifetime	0.0 years	0.0 years	0.0 years	0.4 years

Deferred Members

	December 31, 2013	December 31, 2010
Membership	-	1
Average age	-	59.7 years
Average annual pension	-	$15,602
Total contributions with interest	-	$128,918
Proportion female	-	100%

Appendix B: Membership Data

Superannuates

	December 31, 2013	December 31, 2010
Membership	1,756	1,803
Percent female	33%	33%
Average age	68.2 years	66.2 years
Average annual lifetime pension (includes incentive pension)	$31,057	$28,678
Average annual lifetime incentive pension (non-indexed)	$3,555	$3,486
Number receiving lifetime incentive pension	124	146
Average annual CPP plus OAS bridge pension (indexed)	$8,918	$8,515
Number receiving CPP plus OAS bridge pension	764	925
Average annual bridge pension (non-indexed)	$4,680	$4,680
Number receiving bridge pension (non-indexed)	1	5
Average period since retirement	14.9 years	12.8 years

Survivors

	December 31, 2013	December 31, 2010
Membership	287	252
Percent female	89%	88%
Average age of spouses	76.2 years	74.9 years
Average annual lifetime pension (includes varied pension)	$19,146	$17,797
Average annual bridge pension[1]	$7,123	$5,457

[1] For spouses in receipt of a bridge.

Appendix C: Going Concern Assumptions 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 December 31, 2013. 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 mortality, discount rate and expense 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 10% of the best estimate liabilities.

Appendix C: Going Concern Assumptions and Methods

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.

The provision for adverse deviation for the previous valuation was built into the going concern assumptions where appropriate.

Summary

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

	December 31, 2013	**December 31, 2010**
Economic Assumptions		
Best Estimate Discount rate	6.70%	7.00%
Valuation Discount rate	6.70%	6.55%
Inflation rate	2.5%	Same
Increases in pensionable earnings – base	n/a[2]	3.50%
Increases in pensionable earnings – merit and promotion	n/a[2]	Nil
Increases in year's maximum pensionable earnings (“YMPE”)	n/a[2]	3.0%
Increases in maximum pension limit	$2,770.00 in 2014[2]	In accordance with *Income Tax Act*, then 3.0%
Investment expenses	0.35% of assets per year	0.30% of assets per year
Annual Pension Increases	2.00%	Same
Margin for adverse deviation	10% Explicit Reserve	Implicit (in discount rate)

[2] All active members are assumed to retire immediately, since all have attained 35 years of service, so no salary, YMPE or maximum pension limit projections are needed.

Appendix C: Going Concern Assumptions and Methods

	December 31, 2013	December 31, 2010
Demographic Assumptions		
Mortality	UP94 projected to 2014 with Scale AA, then with generational projection after 2014 using Scale CPM-B	UP94 with generational projection using Scale AA
Retirement	35 years service Age 60 with 20 years service Age 65 with 1 year service	Same
Termination of employment	Nil	Same
Disability	Nil	Same
Proportion married:		
Non-retired proportion with spouse	85%	Same
Spousal age differential	Males three years older	Same

Economic Assumptions

Discount Rate

The overall gross expected return ("best-estimate") is 6.70%, which is based on an inflation rate of 2.50%, yielding a real rate of return on the pension fund assets of 4.20%. 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				6.50%
Non-investment expenses				(0.10)%
Investment expenses				
Passive	(1)	(0.05)%		
Actively managed	(2)	(0.20)%		
			(1)+(2)	(0.25)%
Additional returns due to active management				0.20%
Margin for adverse deviations				0.00%
Discount Rate				**6.35%**

Therefore, we have arrived at a best estimate discount rate of 6.35% per year net of expenses, or 6.70% per year before expenses.

The previous valuation used a gross discount rate net of investment expenses of 6.55% per annum, which included a margin for adverse deviation.

Inflation Rate

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

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.

The previous valuation assumed future expenses to be 0.30% of assets per year. This change in assumptions increased liabilities by $2,414,000 on the valuation date.

Demographic Assumptions

Mortality

The membership of this Plan is not sufficiently large to develop its own plan-specific mortality table. The 1994 Uninsured Pensioner Mortality Table ("UP94") reflects the mortality experience as of 1994 for a large sample of North American pension plans. Applying projection scale AA to 2014 provides allowance for improvements in mortality up to the valuation date, and is considered as a reasonable best estimate of current mortality experience, based on the experience of the Plan. For future mortality improvments, the CPM-B projection scale has been used on a generational basis. This projection scale was developed by the Canadian Institute of Actuaries and released on February 13, 2014. It is based on Canadian Pensioner mortality experience and expected future life expectancy improvements.

The previous valuation used the UP94 table with generational mortality improvements in accordance with scale AA. This change in assumptions increased liabilities by $17,905,000 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

Appendix C: Going Concern Assumptions and Methods

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 is 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 attained age 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 and for all service after the valuation date is determined in accordance with the actuarial assumptions. This amount is referred to as the actuarial liability of benefits. To this is added a provision for future expenses to be paid from the Plan. This total is then referred to as the total actuarial liabilities of the Plan. Under this method, the total value of assets includes the present value of future employee and employer contributions plus the actuarial value of the assets in the fund at the valuation date. The difference between the total value of the assets and the total actuarial liability represents the surplus or unfunded liability as the case may be. In effect, this method includes as a liability the difference, if any, between the present value of benefits for future service and the present value of future contributions. This additional liability, if any, is appropriate in instances where the present value of future benefits is greater than the present value of future contributions. When calculating the actuarial present value of 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, as of December 31, 2013 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

	December 31, 2013	December 31, 2010
Economic Assumptions		
Discount Rate		
Transfer value basis – pre-retirement	n/a	3.30% for 10 years; 5.00% thereafter
Transfer value basis – post-retirement	n/a	1.70% for 10 years; 2.90% thereafter
Annuity purchase basis	3.90%	4.50%
Post-retirement indexing – annuity purchase basis	2.00%	Same
General salary scale	Nil going forward, actual earnings used for past	Same
YMPE and DB Limit Increase	Nil	Same
Demographic Assumptions		
Mortality rates	1994 Uninsured Pensioner Mortality Table with generational mortality improvements using projection scale AA	1994 Uninsured Pensioner Mortality Table projected to 2020
Withdrawal rates	Not Applicable	Same
Retirement age		
Members not eligible for an immediate pension as of the valuation date	n/a	Lump sum transfer of commuted value, based on pension commencing on earliest retirement date
All other members	Annuity Purchase	Same
Termination of employment	Immediate	Same

Solvency Incremental Normal Cost		
Increases in pensionable earnings	3.0% + merit and promotion	Same
Increases in YMPE	3.0%	Same
Increases in maximum pension limit	In accordance with *Income Tax Act*, then 3.0%	Same
Inflation Rate	2.5%	Same
Pensioner indexation	2.0%	Same

Appendix D: Solvency Assumptions and Methods

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 December 31, 2013. 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 just under $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.

Appendix D: Solvency Assumptions and Methods

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 December 31, 2013. 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.

Appendix E: Summary of Plan Provisions

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.

Appendix E: Summary of Plan Provisions

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 limit[1] 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.

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 limit[9]; 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.

[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.

Appendix E: Summary of Plan Provisions

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.

Appendix E: Summary of Plan Provisions

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.

Appendix E: Summary of Plan Provisions

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*.

Appendix E: Summary of Plan Provisions

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:

Appendix E: Summary of Plan Provisions

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.

Appendix E: Summary of Plan Provisions

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 December 31, 2013, 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 ______________________________

Signed ______________________________

Name ______________________________

Title ______________________________