Saskatchewan Telecommunications Pension Plan

88th Annual Report and Financial Statements

Year ended December 31, 2015

Board Mission Statement

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

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Message from the Chair

Dale Hillmer, **Chairperson**
Mike Anderson, **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 for the year ended December 31, 2015 including the financial statements audited by the external auditor.

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

The overall rate of return for the Saskatchewan Telecommunications Pension Fund (the Fund) was 7.4% in 2015 (10.9% in 2014).

Saskatchewan Telecommunications (SaskTel), has the ultimate responsibility to ensure that pension obligations are paid. No contributions were required in 2015 or 2014. *The Pension Benefits Regulations, 1993* do not require Specified Plans to fund solvency deficiencies. Since the Plan is a Specified Plan as per *The Pension Benefits Regulations, 1993* the solvency deficiency is not required to be funded.

If you have any questions or concerns, regarding the financial statements or any other matter, please do not hesitate to call Charlene Callander at (306) 777-5100 or David Holzapfel at (306) 777-4777.

Sincerely,

Dale Hillmer
Chairperson

March 24, 2016

Plan Membership

PLAN MEMBERS AS AT DECEMBER 31, 2015

Employee Members	39
Retired Members	1,996
Total Members	2,035

PRESENT RETIREES AT THE END OF THE 88th YEAR PERIOD

		Average Age	as at Dec. 31, 2015	as at Dec. 31, 2014
Retirees 65 & Over	Males	74.55	702	675
	Females	76.56	350	343
Retirees Under 65	Males	60.86	406	451
	Females	60.52	226	236
Dependants	Spouses	77.38	295	297
	Children	17.65	1	0
Split Pensions	Males	0	0	0
	Females	70.82	16	16
			1,996	2,018

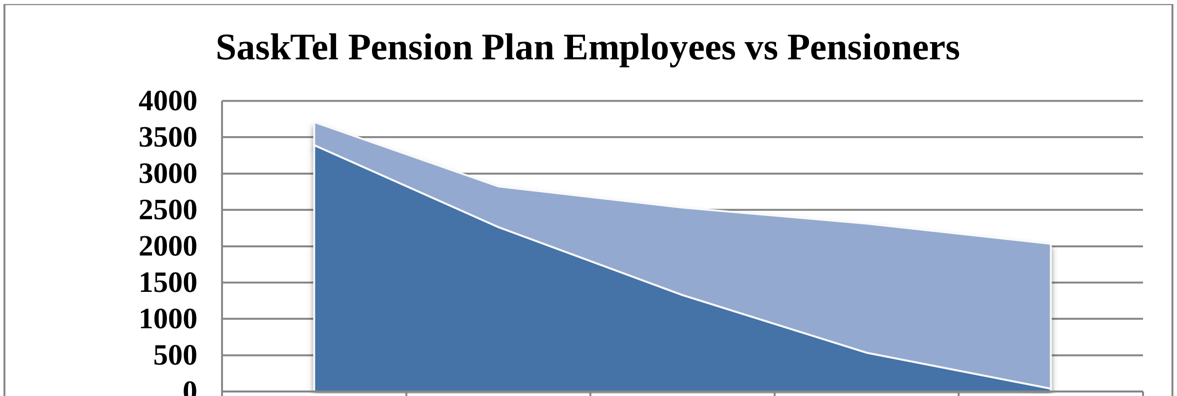
CUMULATIVE RETIREMENTS May 1, 1928 to December 31, 2015

	Male	Female	Total
Age Limit	203	81	284
Optional Retirement	1,572	765	2337
Ill Health	49	25	74
*Ill Health Re-Employed			3
*Widows/Widowers			540
*Children			86
*Split Pensions			17
			3,341

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

NUMBER OF EMPLOYEES UNDER THE PROVISIONS OF THE SASKATCHEWAN TELECOMMUNICATIONS PENSION PLAN AT DECEMBER 31, 2015

	Male	Female	Total
Direct West Employees	-	1	1
SaskTel Employees	25	13	38
Total	25	14	39



	1975	1985	1995	2005	2015
Pensioners	317	561	1200	1775	1996
Employees	3391	2263	1330	535	39

Significant Events 2015

GOVERNANCE

Governance activities completed by the Board during 2015 included:

- Reviewed strategic planning and risk objectives
- Approved statement of investment policies and goals
- Self assessment of governance structure
- Reviewed legislative compliance

Actuarial Valuations

GENERAL

The Pension Benefits Regulations, 1993 require actuarial valuations be filed at least every three years. The results from the latest valuation as at December 31, 2013 are included. Valuations are filed with the Saskatchewan Financial Services Commission – Pensions Division and with Canada Revenue Agency.

ASSUMPTIONS FOR FUNDING PURPOSES

The actuarial assumptions used for funding purposes are a set of assumptions which reflects the Board’s judgment of the most likely set of conditions affecting future events. Following are the significant actuarial assumptions used in the December 31, 2013 valuation to determine the actuarial value of pension obligations. The actuarial assumptions used for the December 31, 2010 valuation are shown for comparison purposes:

Significant Assumption	Valuation as at Dec. 31, 2013	Valuation as at Dec. 31, 2010
Gross Rate of Return on Assets	6.70%	6.55% [1]
Provision for Future Expenses	0.35%	0.30%
Discount Rate for Liabilities	6.35%	6.55%
Inflation	2.50%	2.50%
Salary Escalation	n/a [2]	3.50%
Future Indexing	2.00%	2.00%

Mortality rates were applied utilizing the Uninsured Pensioner 1994 Mortality Table with mortality improvements projected to the year 2014 and Canadian mortality projection scale for future improvements (2010 Valuation used the Uninsured Pensioner 1994 Mortality Table, but projected to 2020).

1. Net of a margin for funding purposes, representing conservatism from market best estimate.
2. An assumption for future salary increases is no longer needed because members are assumed to retire immediately.

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.

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

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

Method	2015 (Extrapolated)	2014 (Extrapolated)	2013 (Actuarial Valuation)
Projected Accrued Benefit	$(104,233) [1,2]	$(135,272) [1,3]	$(74,583) [4]
Going Concern Method	$76,074 [1]	$61,423 [1]	$9,564
Solvency Method	$(234,557)	$(237,398)	$(155,734)

1. Based on Canadian Pensioner Mortality 2014 Private Sector Table at 100% for males and 110% for females.
2. Based on accounting standards at December 31, 2015 and funding valuation at December 31, 2013.
3. Based on accounting standards at December 31, 2014 and funding valuation at December 31, 2013.
4. Based on accounting standards at December 31, 2013 and funding valuation at December 31, 2013.

FUNDING

The Pension Benefits Regulations, 1993 do not require Specified Plans to fund solvency deficiencies. Since the Plan is a Specified Plan as per *The Pension Benefits Regulations, 1993* the solvency deficiency is not required to be funded. The Corporation has the ultimate responsibility to ensure that the pension obligations are paid. No contributions were required in 2015 or 2014.

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 policy now includes the 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 2% guaranteed indexing for retirees and the impact of inflation on the future pension liabilities of the active members. Based on these factors, the Fund can assume a modest level of investment risk, defined as the volatility of returns in any year, to achieve the income and growth objectives. This assessment implies a long-term asset mix strategy that has a significant position in fixed income and as well as equity exposure for diversification and growth.

RISK PHILOSOPHY

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

RISK MANAGEMENT

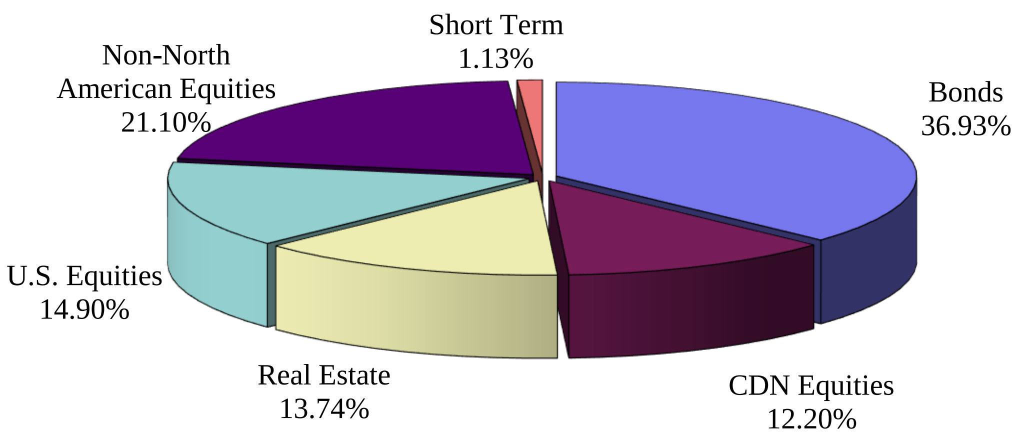
The Board is responsible for identifying business risks that could adversely affect the operation of the Plan and the provision of the benefits promised by the Plan. Through the annual strategic planning and risk assessment process, the Board will review risk management strategies and ensure the appropriate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

ASSET MIX

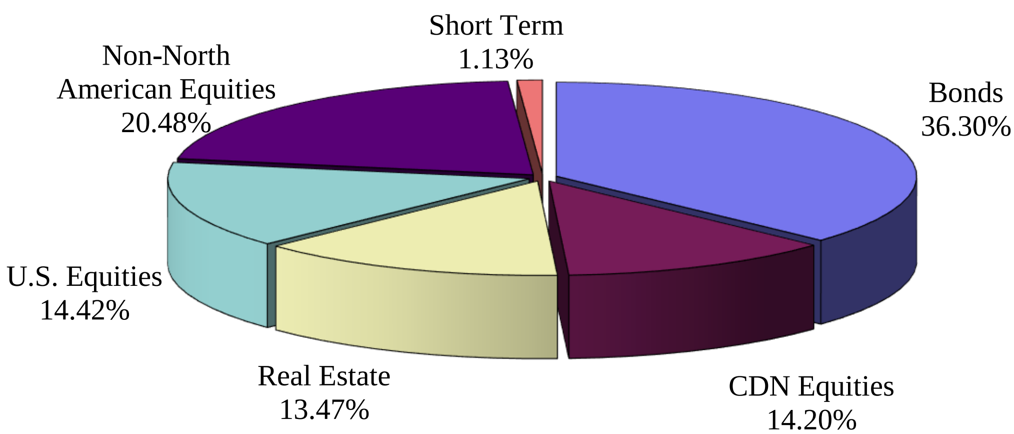
Taking into consideration the investment and risk philosophy of the Fund, the following range and target asset mix has been established:

	Range	Target
Equities (Includes Real Estate)	50 – 70%	60%
Fixed Income	30 – 50%	40%

December 31, 2015



December 31, 2014



Investment Performance

The Canadian equity market, as measured by the S&P/TSX Composite Index fell by 8.3%, and was one of the worst performing developed markets globally. Steep drops in commodity prices put pressure on shares of companies in the Energy and Materials sectors, which comprise a major portion of the overall Canadian market, and led the Index lower. Another major contributor to overall weak results was the Health Care sector, and mainly Valeant Pharmaceuticals, who faced allegations of fraud and are currently the focus of a U.S. Senate investigation into drug pricing practices.

U.S. equities, as measured by the S&P 500 Index, saw a slightly positive 1.4% annual return in local currency, however, increased substantially to 21.6% for Canadian investors, as the Canadian dollar depreciated versus the U.S. dollar in the year. The market was led by the Consumer sectors and Health Care names, with Energy companies the main source of weakness. In December, the Federal Reserve gave its vote of confidence to the U.S. economy by raising the discount rate for the first time in almost a decade.

International equity market returns varied greatly, with those economies with greater dependency on commodity prices or exports to China underperforming. European stock markets were strong, as accommodative monetary policy began to take hold, and risk appetite returned somewhat to markets. Japan was one of the top performing developed markets as well.

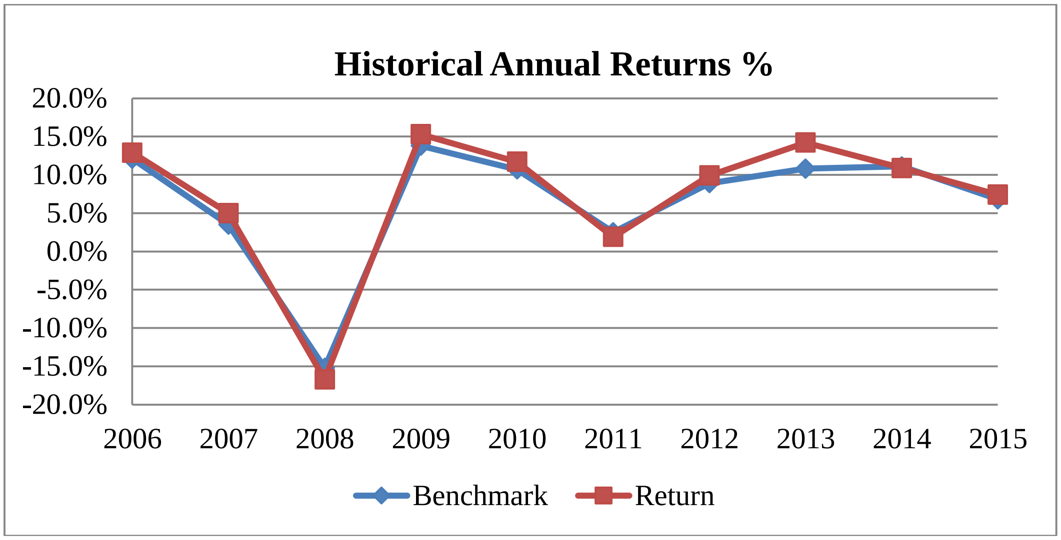
Emerging markets declined 5.8% in local currency, however, managed a small gain of 2.0% for Canadian investors, as the Canadian dollar depreciated versus the EM basket of currencies. Brazil, Greece and Turkey saw sharp equity market declines, while China and Russia led.

Bond markets experienced declining yields, although with a large amount of volatility. The result was moderately positive returns across all terms, although particularly for mid to longer dated bonds. The Plan’s bond portfolio is customized to reflect the duration of the liabilities, which are relatively long term in nature, and returned 4.4% in the year.

The Total Fund returned 7.4% in the year, tracking ahead of the benchmark by 0.6%, offsetting investment related fees estimated to be 0.24% per annum. The result also tracked ahead of the median Canadian balanced fund. Active managers were mostly positive in their impact with only GMO trailing in International and Emerging Markets equities.

The 10.7% four-year Total Fund return was strong, reflecting rising foreign equity and real estate markets, solid bond returns, as well as value added relative to the benchmark portfolio return of 9.8%.

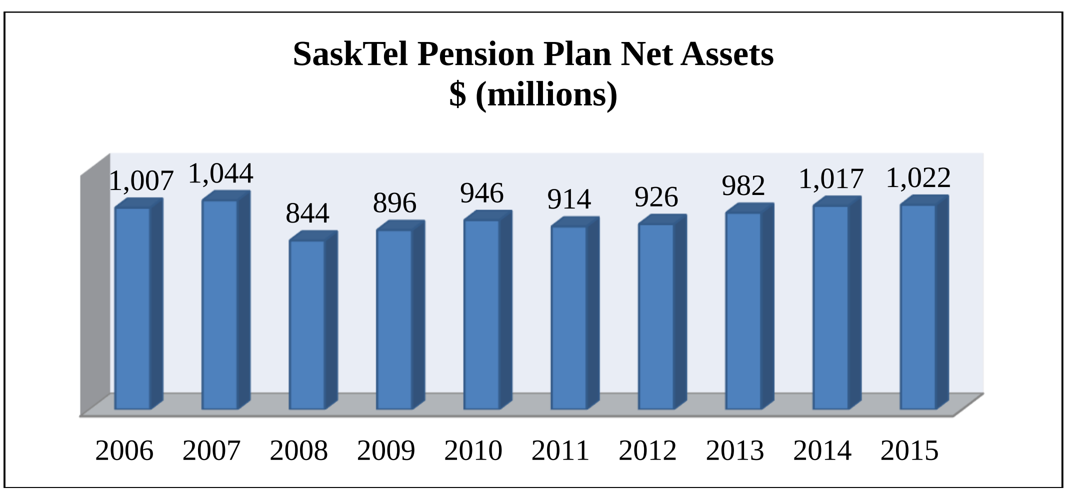
Return on Investments %	2015	2014
Annual Return	7.4	10.9
Annual Benchmark	6.8	11.1
Four year annualized return	10.7	9.2
Four year benchmark	9.8	8.7



Financial Highlights

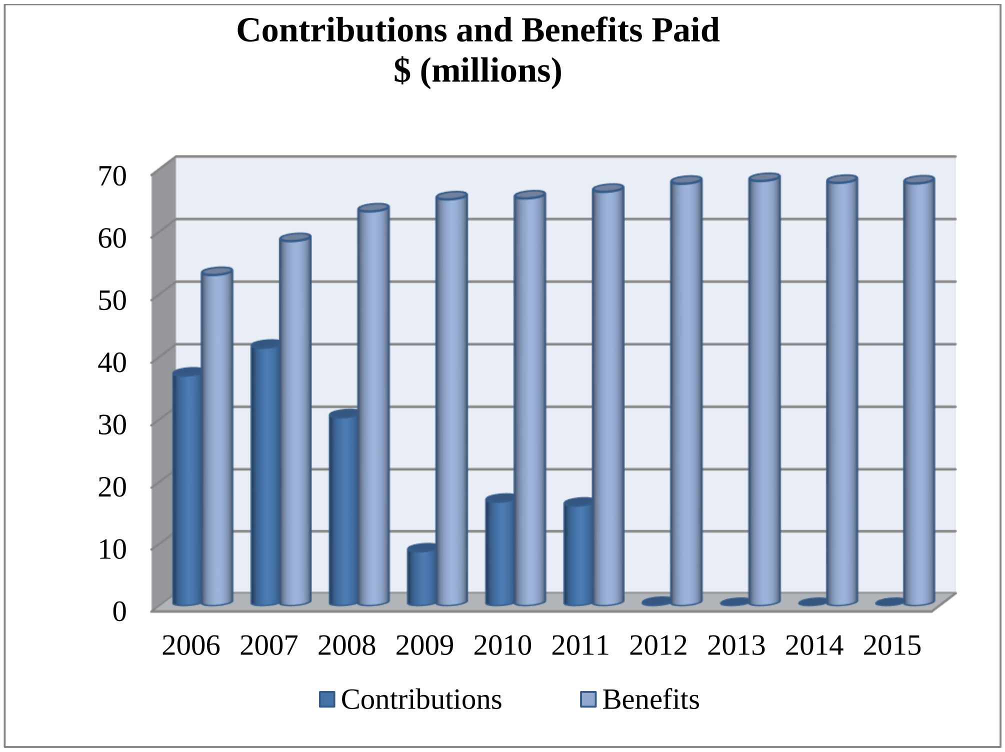
Net assets available for benefits increased by 0.48% from $1,017M in 2014 to $1,022M in 2015.

Net Assets Available for Benefits		
(Thousands of dollars)	**2015**	2014
Net assets available for benefits - opening balance	$1,017,398	$982,435
Plus: Investment income	49,481	52,035
Contributions	-	-
Less: Benefits	67,746	67,842
Refunds and transfers	909	-
Expenses	3,225	3,127
Unrealized gains	27,280	53,897
Net assets available for benefits at year end	$1,022,279	$1,017,398



Contributions to the Plan have ceased. Company contributions are not required as the Plan is a Specified Plan as per *The Pension Benefits Regulations, 1993* and as such the solvency deficiency is not required to be amortized. Employee contributions have ceased due to no employees contributing to the Plan as a result of all employees reaching maximum years of service.

Benefits paid from the plan decreased from $67.8 million in 2014 to $67.7 million in 2015 mostly due to fewer retirees.



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 Investment Services** performed the processing and handling of investment transactions.

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

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

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements included in the annual report of the Saskatchewan Telecommunications Pension Plan for the year ended December 31, 2015, 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.

Mike Anderson
Special Advisor - Transformation

David Holzapfel
Pension Plan Manager
Administrator, SaskTel Pension Board

March 24, 2016

Actuary's Opinion

Aon Hewitt was retained by the Saskatchewan Telecommunications Pension Board (the "Board") to perform an actuarial valuation of the assets and liabilities of the Saskatchewan Telecommunications Pension Plan (the "Plan") as at December 31, 2013. The Board retained Aon Hewitt to prepare an extrapolation of the Plan's liabilities from December 31, 2013 to December 31, 2015. This extrapolation was used to prepare the actuarial information for inclusion in the Annual Report for the year ended December 31, 2015.

The extrapolation of the Plan's liabilities to December 31, 2015 was based on:

- An actuarial valuation (based on membership data provided by the Board) as at December 31, 2013;
- 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 Hewitt and are considered as management's best estimate of these events.

While the actuarial assumptions used to determine liabilities for the Plan's financial statements contained in the Annual Report represent management's best estimate of future events, and while in my opinion these assumptions are 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 has been performed in accordance with accepted actuarial practice in Canada.

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

February 10, 2016

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INDEPENDENT AUDITORS' REPORT

To the Members of the Legislative Assembly, Province of Saskatchewan

We have audited the accompanying financial statements of Saskatchewan Telecommunications Pension Plan, which comprise the statement of financial position as at December 31, 2015, the statements of changes in net assets available for benefits and changes in pension obligations for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Saskatchewan Telecommunications Pension Plan as at December 31, 2015, and the changes in its net assets available for benefits and changes in its pension obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

KPMG LLP

Chartered Professional Accountants

March 24, 2016
Regina, Canada

STATEMENT OF FINANCIAL POSITION

As at December 31,		2015	2014
Thousands of dollars	Note		
ASSETS			
Cash		**$781**	$337
Accrued investment income		**356**	374
Other		**-**	4
Investments under a securities lending program	5	**30,584**	26,528
Investments	5	**991,765**	991,308
		1,023,486	1,018,551
LIABILITIES			
Accounts payable		**1,207**	1,153
Net assets available for benefits		**1,022,279**	1,017,398
Pension obligations	9	**1,126,512**	1,152,670
DEFICIT		**$(104,233)**	$(135,272)

See accompanying notes to the financial statements

Approved by the Pension Board

Dale Hillmer - Chairperson

Scott Smith – Member

Mike Anderson – Member

Brian Renas – Member

Andrew Malinowski - Member

March 24, 2016

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

For the year ended December 31, Thousands of dollars	Note	**2015**	2014
Net assets available for benefits, beginning of year		**$1,017,398**	$982,435
Increase in assets			
Investment income	6	**49,481**	52,035
Unrealized increase in fair value of investments		**27,280**	53,897
Total increase in assets		**76,761**	105,932
Decrease in assets			
Benefits paid	7	**67,746**	67,842
Administration expenses	8	**3,225**	3,127
Refunds and transfers			
Contributions		**316**	-
Interest		**593**	-
Total decrease in assets		**71,880**	70,969
Net increase in assets		**4,881**	34,963
Net assets available for benefits, end of year		**$1,022,279**	$1,017,398

See accompanying notes to the financial statements

STATEMENT OF CHANGES IN PENSION OBLIGATIONS

For the year ended December 31, Thousands of dollars	Note	2015	2014
Pension obligations, beginning of year		**$1,152,670**	$1,057,018
Increase in pension obligations			
Interest on pension obligations		**42,497**	47,062
Impact of changes in assumptions	9	**-**	139,681
		42,497	186,743
Decrease in pension obligations			
Benefits paid	7	**67,746**	67,842
Refunds and transfers		**909**	-
Experience gain	9	**-**	23,249
		68,655	91,091
Pension obligations, end of year		**$1,126,512**	$1,152,670

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 December 31, 2013.

During 2013 provisions of *The Pension Benefits Regulations, 1993* were amended to allow the pension plan to determine funding requirements based on the going concern actuarial valuation versus the former requirement to use the solvency funding actuarial valuation. This has resulted in a suspension of contributions. As the sponsor of the SaskTel Pension Plan, the Corporation is committed to meeting all funding requirements necessary to fulfill pension obligations to plan members. The Corporation will continue to monitor the going concern position of the Plan and can, at any time, begin to fund again if necessary.

During 2012 all employee members 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 also ceased.

Note 1 - Description of the Plan, continued

Benefits

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

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

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

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

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

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

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 December 31, 2015 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.

Note 2 – Basis of preparation, continued

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 year includes measurement of the pension obligations (Note 9).

Note 3 - Significant accounting policies

Basis of accounting

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

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 bonds is 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 bond 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.

Note 3 - Significant accounting policies, continued

Translation of foreign currencies

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

New standards and interpretations not yet adopted

IFRS 9 Financial Instruments was issued, as the final version, in July of 2014. The standard sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. It also has modified the hedge accounting model to better link the economics of risk management with the accounting treatment of hedges. The standard is effective for reporting periods beginning on or after January 1, 2018. The Plan is currently assessing the impact of the standard.

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 December 31, Thousands of dollars	2015	2014
Investments		
Short term investments	**$10,664**	$10,062
Pooled real estate	**140,523**	137,066
Canadian equities	**92,446**	111,493
Canadian pooled equity funds	**7,080**	8,466
US equities	**24,911**	30,617
US pooled equity fund	**122,895**	115,565
Non-North American pooled equity funds	**215,701**	208,440
Bonds	**650**	369
Pooled bond funds	**376,895**	369,230
	$991,765	$991,308
Investments under securities lending program		
Short term investments	**$870**	$1,423
Canadian equities	**25,166**	24,564
US equities	**4,548**	541
	$30,584	$26,528
Total investments	**$1,022,349**	$1,017,836

Short term investments

Short term investments are comprised of treasury bills, notes and commercial paper with a market yield of 0.4% to 0.8% (2014 - 0.9% to 1.3%) and an average term to maturity of 82.6 days (2014 – 142.8 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 19.2% (2014 – 32.5%) 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 December 31, 2015, 9.0% (2014 – 8.3%) was the largest individual holding. Individual holdings are restricted, by Fund policy, to a maximum of 10% of the common stock in any corporation. At December 31, 2015, 0.028% (2014 - 0.013%) was the largest individual holding.

Note 5 - Investments, continued

Bonds

Individual holdings are limited, by Fund policy, to a maximum of 10% of the market value of each investment. At December 31, 2015, 1.25% (2014 – 1.29%) was the largest individual holding.

Pooled bond funds

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.

As at December 31,	**2015**			2014		
Fund	**Amount ($000)**	**Yield (%)**	**Duration (years)**	Amount ($000)	Yield (%)	Duration (years)
Greystone three year target duration fund	**$91,536**	**1.3**	**3**	$91,153	1.7	3
Greystone eight year target duration fund	**102,496**	**2.4**	**8**	100,018	2.6	8
Greystone fifteen year target duration fund	**96,441**	**3.3**	**15**	94,327	3.3	15
Greystone twenty plus year target duration fund	**86,422**	**3.3**	**25**	83,732	3.4	25
	$376,895			$369,230		

Note 6 – Investment income

For the year ended December 31, Thousands of dollars	**2015**	2014
Short term investments	**$474**	$163
Canadian equities	**3,921**	4,078
Canadian pooled equity funds	**149**	541
US equities	**452**	2,427
US pooled equity fund	**15,578**	14,767
Non-North American pooled equity funds	**14,478**	16,286
Bonds	**4**	3
Pooled bond funds	**14,425**	13,770
	$49,481	$52,035

Note 7 – Benefits paid

For the year ended December 31, Thousands of dollars	**2015**	2014
Retirement benefits	**$61,237**	$61,704
Death benefits	**6,509**	6,138
	$67,746	$67,842

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. The Board has developed, with the assistance of its consultant, specific investment policies and guidelines that the investment managers must adhere to when making investment decisions.

For the year ended December 31, Thousands of dollars	**2015**	2014
Investment management	**$2,581**	$2,451
Plan administration	**264**	261
Investment consultant	**158**	138
Custodian	**75**	82
Brokerage commissions	**65**	79
Board	**28**	18
Audit	**26**	25
Actuary	**21**	65
Other	**7**	8
	$3,225	$3,127

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 December 31, 2013 and extrapolated to December 31, 2015 by Aon Hewitt, a firm of consulting actuaries. The next valuation is due December 31, 2016.

Pension obligations are sensitive to changes in the discount rate, the inflation rate, salary escalation and future indexing. Based upon advice obtained from its actuaries and pension consultant, the Pension Board applies best estimate assumptions on these and other future economic events.

Note 9 – Pension Obligations, continued

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

Thousands of dollars	**2015**	2014
*Experience gain	**$-**	$23,249
**Loss due to impact of assumption changes	**-**	(139,681)
	$-	($116,432)

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

** The significant assumptions used to determine the actuarial present value of pension obligations as at December 31, 2015 remain unchanged from December 31, 2014.

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

Significant Assumption	**2015**	2014
Discount Rate	**3.80%**	3.80%
Inflation	**2.50%**	2.50%
Future Indexing	**100% of CPI to a maximum of 2.00%**	100% of CPI to a maximum of 2.00%

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

	Long - Term Assumptions				
	Discount rate		Inflation		Future Indexing
	2.80%	4.80%	1.50%	3.50%	1.0%
(Thousands of dollars)					
Increase (decrease) in liability	$144,302	$(118,856)	$58,938	$(120,040)	$(138,490)

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

Consistent with the previous year, 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. There is no ready market for settling the pension obligation and the Plan has no intention of settling this obligation in the near term. Therefore, determination of the fair value of pension obligations is not practical.

Note 10 - Financial instruments

The Plan’s financial instruments include cash and short term investments, pooled bond funds, bonds, equities, 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 bonds, pooled bond funds 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 bonds, pooled bond funds 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 $48.6 million representing 12.5% of the carrying value of $389.1 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 43.5% total of the market value of the total investment portfolio. At December 31, 2015 the Plan’s exposure to U.S. equities was 14.9% (2014- 14.4%) and its exposure to non-North American equities was 21.1% (2014 – 20.5%).

At December 31, 2015, a 10% strengthening (weakening) in the Canadian dollar versus U.S. dollar exchange rate would result in approximately a $15.2 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 $21.6 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 2015.

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 48.2% (2014 – 49.1%) of the carrying value of the Plan's total investments. Individual stock holdings are diversified by geography, industry type and corporate entity.

The Plan's equity price risk can be assessed using Value at Risk (VaR), a statistical technique that measures the potential change in an equity asset class. The following calculations are based on returns and volatility over the preceding four-year period, using a 95% confidence level. As such, it is expected that the annual change in the portfolio market value will not be more than the values outlined in the following table 95% of the time (19 times out of 20 years), based on December 31 market values in each year. Stated differently, there is a 5% statistical probability that the equity portfolio values would change by more than the values noted below.

As at December 31, Thousands of dollars	**2015**	2014
Canadian equities	**$(4,959)**	$(11,123)
US equities	**10,948**	2,307
Non-North American equities	**(9,392)**	(19,642)

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 Decenber 31, Thousands of dollars	**2015**	2014
Cash	**$781**	$337
Accrued investment income	**356**	374
Bonds and pooled bond funds	**377,545**	369,599
Short term investments	**11,534**	11,485
	$390,216	$381,795

Credit risk within investments is primarily related to pooled bond funds 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.

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 December 31,	**2015**				2014			
Thousands of dollars	**Level 1**	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
Bonds	**$-**	**$650**	**$-**	**$650**	$-	$369	$-	$369
Pooled bond funds	**-**	**376,895**	**-**	**376,895**	-	369,230	-	369,230
Canadian equities	**117,612**	**-**	**-**	**117,612**	136,057	-	-	136,057
Canadian pooled equity funds	**7,080**	**-**	**-**	**7,080**	8,466	-	-	8,466
US equities	**29,459**	**-**	**-**	**29,459**	31,158	-	-	31,158
US pooled equity fund	**122,895**	**-**	**-**	**122,895**	115,565	-	-	115,565
NNA pooled equity funds	**215,701**	**-**	**-**	**215,701**	208,440	-	-	208,440
Pooled real estate	**-**	**-**	**140,523**	**140,523**	-	-	137,066	137,066
Short term investments	**-**	**11,534**	**-**	**11,534**	-	11,485	-	11,485
Total	**$492,747**	**$389,079**	**$140,523**	**$1,022,349**	$499,686	$381,084	$137,066	$1,017,836

There were no items transferred between levels during the current year.

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

As at December 31,		
Thousands of dollars	**2015**	2014
Beginning balance	**$137,066**	$131,488
Purchases	**-**	-
Sales	**(5,000)**	(2,537)
Net gain (loss) realized in investment income	**1,821**	791
Unrealized change in market value	**6,636**	7,324
Ending balance	**$140,523**	$137,066

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-year periods.

For the year ended December 31,	**2015**	2014	**2015**	2014
	Annual return (%)		Rolling four-year average annual return (%)	
Plan's actual rate of return	**7.4**	10.9	**10.7**	9.2
Target rate of return	**6.8**	11.1	**9.8**	8.7

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.

During the year the Plan paid $0.3 million (2014 - $0.3 million) to the Corporation for administration fees.

Note 13 – Comparative figures

Certain of the 2014 comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

SCHEDULE OF ACCUMULATED NET ASSETS AVAILABLE FOR BENEFITS FOR THE PERIOD FROM MAY 1, 1928 TO DECEMBER 31, 2015

Thousands of dollars		
CUMULATIVE INCREASE IN ASSETS		
Investment income		$1,108,643
Cumulative increase in fair value of investments		$707,193
Contributions		
Employers'		367,763
Employees' - Active	2,383	
- Retired, deferred	107,878	
- Resigned	16,078	
- Transferred	649	126,988
Early and enhanced retirement adjustments		19,450
Employer withdrawal		(34,200)
Employees' interest on back contributions		729
		2,296,566
CUMULATIVE DECREASE IN ASSETS		
Payments to superannuates and beneficiaries	1,240,883	
Refund of employees' contributions	12,868	
Interest on refunded employees' contributions	5,486	
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	1,274,287
NET ASSETS AVAILABLE FOR BENEFITS AT MARKET VALUE - DECEMBER 31, 2015		$1,022,279