



**Saskatchewan
Telecommunications
Pension
Plan**

**90th Annual Report
and
Financial Statements**

For the Year Ended March 31, 2018

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

Peter Hoffmann, **Chairperson**
Charlene Gavel, **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 March 31, 2018 including the financial statements audited by the external auditor.

Copies of the 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 8.2% in 2017/18 (7.8% in 2016/17).

Saskatchewan Telecommunications has the ultimate responsibility to ensure that pension obligations are paid. As a result of the actuarial valuation completed during 2017/18, there were no employer contributions required.

If you have any questions or concerns, regarding the financial statements or any other matter, please do not hesitate to call Michelle Maystrowich at (306) 777-1818 or David Holzapfel at (306) 777-4777.

Sincerely,



Peter Hoffmann
Chairperson

June 21, 2018

Plan Membership

PLAN MEMBERS AS AT MARCH 31, 2018

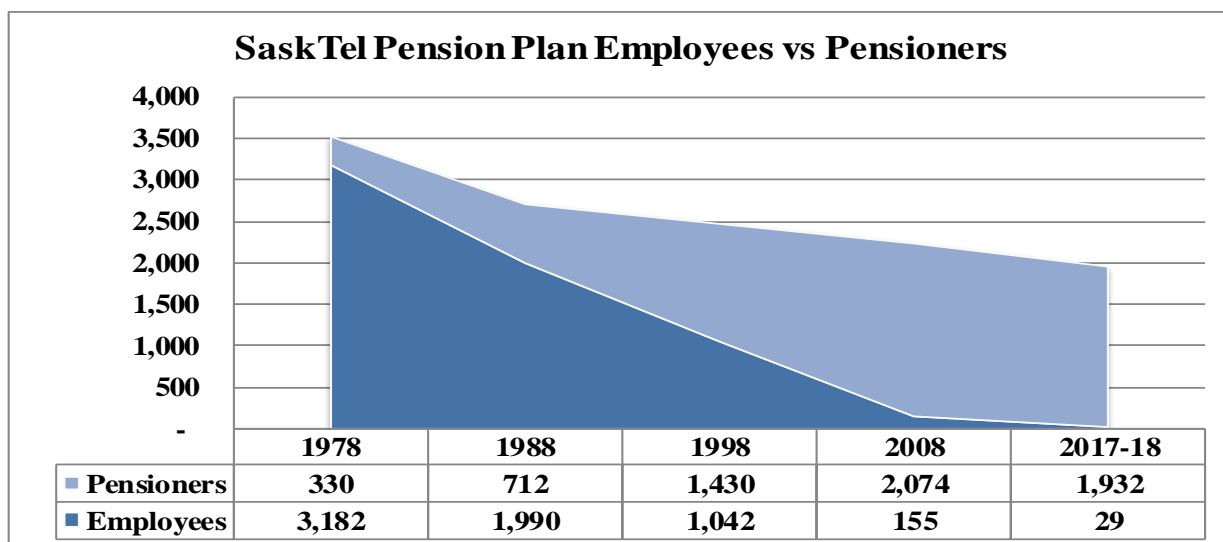
Employee Members	29
Retired Members	1,932
Total Members	1,961

PRESENT RETIREES AT THE END OF THE 90th FISCAL PERIOD

		Average Age	as at Mar. 31, 2018	as at Mar. 31, 2017
Retirees 65 & Over	Males	74.82	742	715
	Females	76.96	368	362
Retirees Under 65	Males	62.29	318	367
	Females	61.89	181	198
Dependants	Spouses	78.74	307	303
	Children	-	-	-
Split Pensions	Males	-	-	-
	Females	70.72	16	16
		72.85	1,932	1,961

NUMBER OF EMPLOYEES UNDER THE PROVISIONS OF THE SASKATCHEWAN TELECOMMUNICATIONS PENSION PLAN AT MARCH 31, 2018

	Male	Female	Total
Direct West Employees	-	1	1
SaskTel Employees	17	11	28
Total	17	12	29



Significant Events 2017/18

GOVERNANCE

Governance activities completed by the Board during 2017/18 included:

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

Board Expenses

BOARD EXPENSES

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

<u>Name</u>	<u>Board Meeting Per Diem</u>	<u>Retainer Fees</u>	<u>Meeting Expenses</u>	<u>Education Expenses</u>	<u>Total</u>
Peter Hoffmann, Chair ¹	\$ 300	\$ 208	\$ 204	\$ -	\$ 712
Dale Hillmer, Chair ²	900	1,250	15	118	2,283
Andy Malinowski ³	-	-	518	5,064	5,582
Brian Renas	1,650	1,500	131	81	3,362
Scott Smith ³	-	-	-	-	-
Charlene Gavel ³	-	-	-	-	-
Total	\$ 2,850	\$ 2,958	\$ 868	\$ 5,262	\$ 11,939

¹ Appointed March 7, 2018

² Term ended September 20, 2017

³ SaskTel employee

Actuarial Valuations

GENERAL

The Pension Benefits Regulations, 1993 require actuarial valuations be filed at least every three years. The results from the latest valuation as at March 31, 2017 are included. Valuations are filed with the Saskatchewan Financial and Consumer Affairs Authority – 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 March 31, 2017 valuation to determine the actuarial value of pension obligations. The actuarial assumptions used for the December 31, 2013 valuation are shown for comparison purposes:

<u>Significant Assumption</u>	<u>Valuation as at Mar. 31, 2017</u>	<u>Valuation as at Dec. 31, 2013</u>
Gross Rate of Return on Assets	5.35%	6.70%
Provision for Future Expenses	0.35%	0.35%
Discount Rate for Liabilities	5.00%	6.35%
Inflation	2.25%	2.50%
Future Indexing	1.60%	2.00%

Mortality rates were applied utilizing the 2014 Private Sector Canadian Pensioner Mortality Table (Adjusted 100% for males and 110% for females) with Improvement Scale CPM-B (2013 valuation used the Uninsured Pensioner 1994 Mortality Table with mortality improvements projected to the year 2014 and Canadian mortality projection scale for future improvements).

ACCOUNTING, FUNDING, AND SOLVENCY EXTRAPOLATIONS

The **Projected Accrued Benefit Method** prorated on services is used for financial reporting purposes and provides a valuation based on benefits earned to the date of the financial statements only.

The **Going Concern Method**, although not acceptable for financial reporting purposes, provides a valuation that considers benefits earned to-date as well as future benefits to be earned and contributions to be made. It is the method used by the actuary to measure the ability of the Plan to meet current and future obligations to plan members.

<u>Thousands of dollars</u>	<u>2018</u> <u>Extrapolation</u>	<u>2017</u> <u>Valuation</u>	<u>2013</u> <u>Valuation</u>
Assets	\$ 1,043,547	\$ 1,030,246	\$ 982,435
Liabilities	(877,251)	(899,991)	(884,428)
Provision for adverse deviaton	(105,270)	(107,999)	(88,443)
Total liabilites	(982,521)	(1,007,990)	(972,871)
Surplus(deficit)	\$ 61,026 ¹	\$ 22,256 ¹	\$ 9,564 ²
Valuation ratio	106.2%	102.2%	101.0%

¹ Based on funding valuation at March 31, 2017.

² Based on funding valuation at December 31, 2013.

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

<u>Thousands of dollars</u>	<u>2018 Extrapolation</u>	<u>2017 Valuation</u>	<u>2013 Valuation</u>
Assets	\$ 1,043,047	\$ 1,029,746	\$ 981,935
Liabilities	(1,179,109)	(1,187,980)	(1,137,669)
Surplus(deficit)	<u>\$ (136,062) ¹</u>	<u>\$ (158,234) ¹</u>	<u>\$ (155,734) ²</u>
Valuation ratio	88.5%	86.7%	86.3%

¹ Based on funding valuation at March 31, 2017.

² Based on funding valuation at December 31, 2013.

FUNDING

The Pension Benefits Regulations, 1993 do not require Specified Plans to amortize solvency deficiencies. Since the Plan is a Specified Plan as per *The Pension Benefits Regulations, 1993* the solvency deficiency is not required to be amortized. The Corporation has the ultimate responsibility to ensure that the pension obligations are paid. No contributions were required in 2017/18 or 2016/17.

Investment Governance

OBJECTIVE OF THE PLAN

The purpose of the Saskatchewan Telecommunications Pension Plan (the Plan) is to meet the present and future obligations accumulated on behalf of the Plan's participants.

INVESTMENT POLICY

The Statement of Investment Policies and Goals (SIP&G) is updated and approved by the SaskTel Pension Plan Board annually. The policy provides a framework for the prudent investment and administration of the pension fund. The policy also provides the investment managers with a written statement of specific quality, quantity and rate of return standards. The Board has adopted a dynamic investing approach which strives to ensure the assets of the Plan evolve to match the liabilities of the Plan. The basic approach chosen is to gradually convert equity investments to fixed income instruments as the Plan's solvency position improves.

Plan assets (Fund) should be prudently managed to assist in avoiding actuarial deficits and excessive volatility in annual rates of return. An assessment of the risk tolerance of the Plan considers the cash demands and the closed nature of the Plan, along with the financial position. The Plan maturity is above average in that retired lives dominate the membership, and liquidity needs are increasing. The need for continued growth is also a consideration, given the indexing provision for retirees 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 as well as equity exposure for diversification and growth.

RISK PHILOSOPHY

While prudent management seeks to avoid excessive volatility, it is recognized that a low risk investment policy is likely to earn a low rate of return. The 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

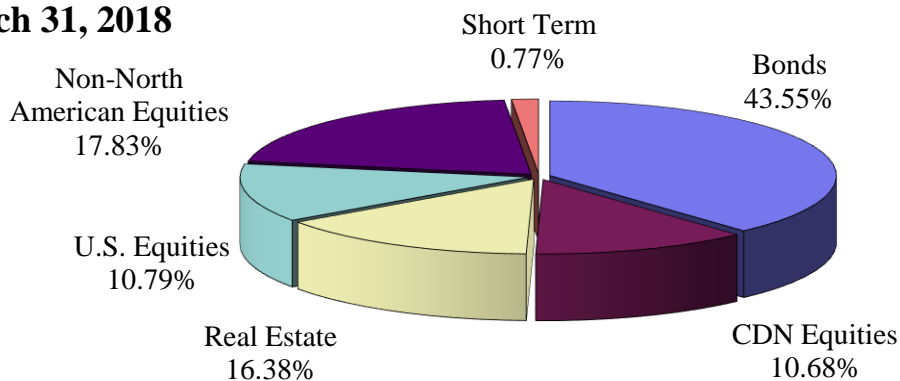
The Board is responsible for identifying business risks that could adversely affect the operation of the Plan and the provision of the benefits promised by the Plan. Through the annual strategic planning and risk assessment process, the Board reviews risk management strategies and ensures the appropriate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

ASSET MIX

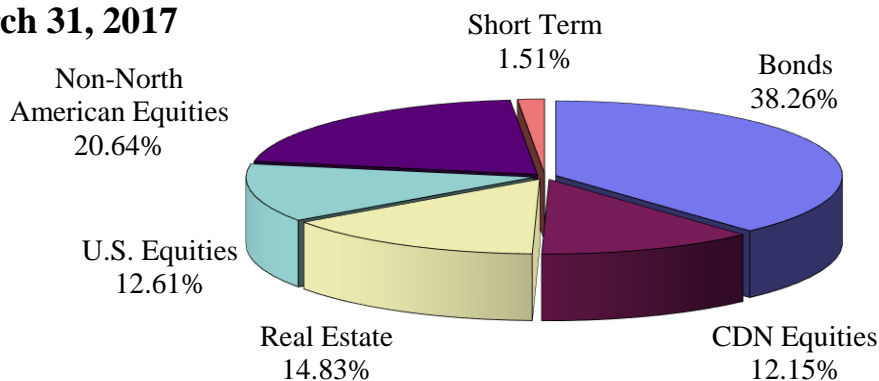
Taking into consideration the investment and risk philosophy of the Fund, the following range and target asset mix has been established:

<u>Asset Class</u>	<u>Range</u>	<u>Target</u>	<u>Actual</u>
Equities	40 – 50%	45%	39.30%
Fixed Income	30 – 50%	40%	44.32%
Real Estate	10 – 20%	15%	16.38%

March 31, 2018



March 31, 2017



Investment Performance

Performance for the Annual Period ended March 31, 2018

Continuing themes of a synchronized recovery in global growth, relatively low inflation and easy monetary policy helped sustain equity market momentum throughout the second half of 2017, and into 2018 before the concerns of rising interest rates, historically high equity valuations and trade war rhetoric brought volatility back to the market. Overall though, the annual period from April 1, 2017 to March 31, 2018 was a 'risk-on' environment, with return seeking assets broadly outperforming.

The Canadian equity market was amongst the weaker returning developed equity markets in the year with a 1.7% annual result for the S&P/TSX Composite Index. The Energy and Materials sectors, which combined, account for just under one third of the market, were under pressure throughout the periods, and trailed global markets. More cyclical sectors such as Health Care, Industrials, Info Tech and Consumer Discretionary led.

The U.S. equity market, which now accounts for 60% of the developed global equity benchmark, saw continued strength throughout the year. The S&P 500 Index returned 14.1% in U.S. dollars, falling to 10.2% in Canadian dollars, as the loonie appreciated. Large cap Info Tech names, particularly the popular known 'FAANG' stocks, were the major sources of return, although other sectors were broadly positive. Energy stocks underperformed, as did Telecom, the only two sectors with negative annual performance.

The MSCI EAFE Index, representing non-North American developed equity markets, had a Canadian dollar return of 11.0% over the year (up from 5.3% in local currencies), driven by strength in the Eurozone, which benefited not only from recovering economies, but also the reduced fear surrounding Brexit, and other nationalistic movements. Emerging Markets once again led global developed equity markets, returning 20.8% in Canadian dollars over the annual period.

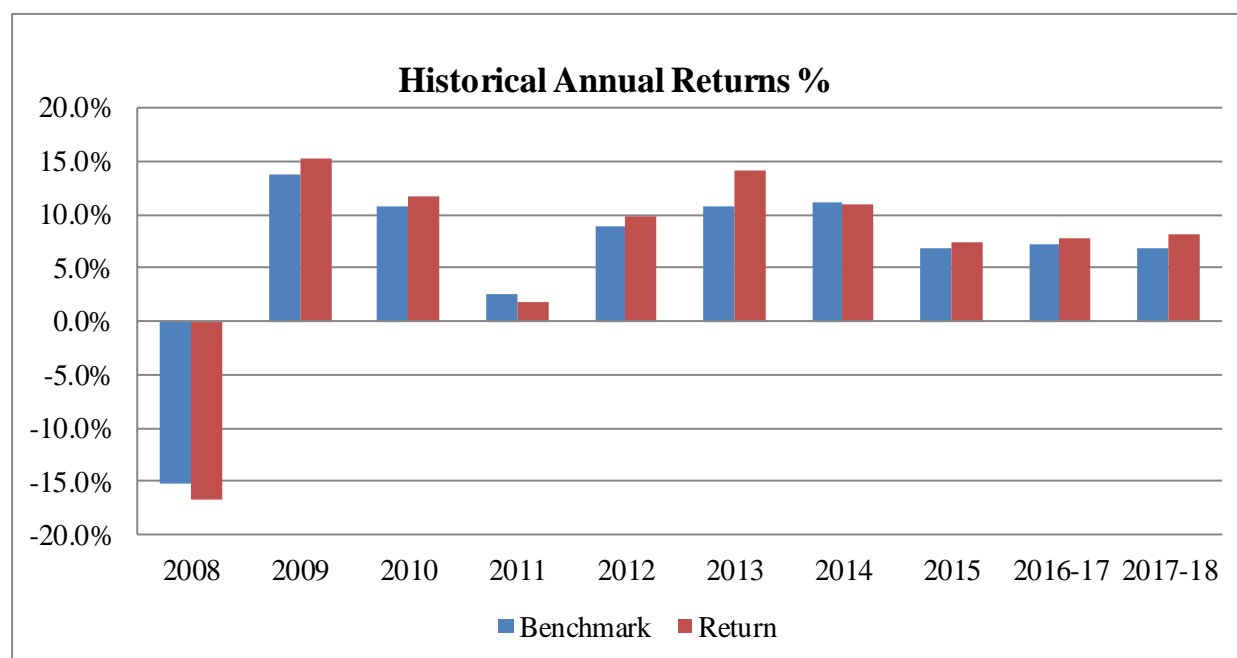
Fixed income markets were volatile but overall positive, with the FTSE/TMX Universe Bond Index returning 1.4% over the year. The yield curve flattened overall, with long term yields falling, while short and medium term yields rose substantially, in unison with Bank of Canada overnight lending rate increases which occurred in July and September. Longer term bonds outperformed, as yields at the longer end of the curve fell. The Plan's bond portfolio is customized to reflect the duration of liabilities, which are relatively long term in nature, and returned 4.3% in the year.

The Total Fund return was 8.2% vs. the 6.8% benchmark return in the year, with the 1.4% in value added more than offsetting the 0.24% in investment management fees paid annually. Beutel Goodman outperformed in Canadian equities, while GMO had mixed results: adding value in their international equity mandate, but trailing in their emerging markets equity strategies. Asset mix was slightly positive, with the Plan's overweight in foreign equities, and underweight in fixed income and cash adding value.

Medium and longer term performance was strong: the Total Fund outperformed its benchmark over both the four-year (8.2% vs. 7.6%) and ten-year (7.1% vs. 6.5%) periods. The Plan's real return objective of 3.5% was also met over both periods.

Return on Investments (%)

	2017-18	2016-17
Annual return	8.2	6.1
Annual benchmark	6.8	5.5
Four year annualized return	8.2	9.5
Four year benchmark	7.6	8.8

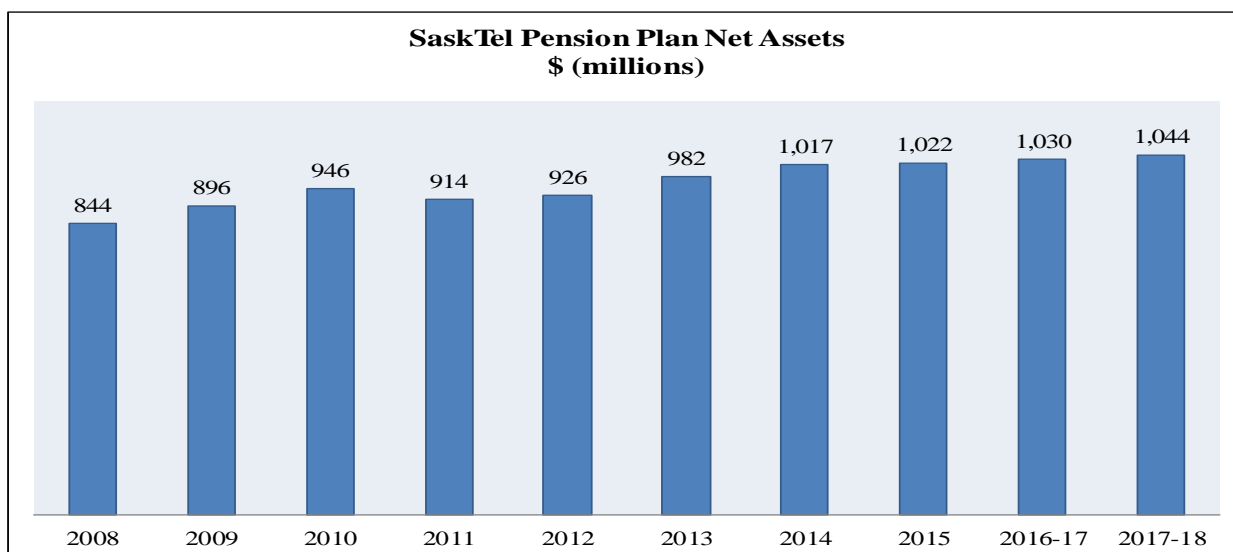


Financial Highlights

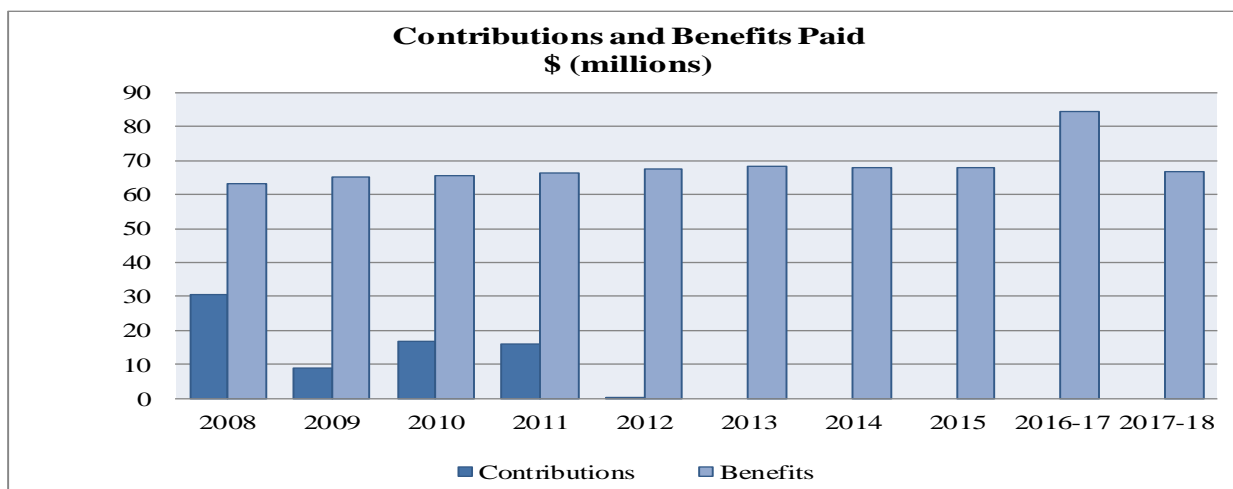
Net assets available for benefits increased by 1.29% from \$1,030M in 2016/17 to \$1,044M in 2017/18.

Net Assets Available for Benefits (\$000's)

	12 months ended March 31,		15 months ended March 31,
	2018	2017	2017
Net assets available for benefits, opening balance	\$ 1,030,246	\$ 997,320	\$ 1,022,279
Plus: Investment income	44,829	38,905	39,913
Less: Benefits	66,898	67,437	84,295
Refunds and transfers	-	479	479
Expenses	3,073	3,103	3,856
Unrealized gains	38,443	65,040	56,684
Net assets available for benefits, closing balance	\$ 1,043,547	\$ 1,030,246	\$ 1,030,246



Benefits paid from the plan decreased from \$84.3 million in 2016/17 to \$66.9 million in 2017/18 mostly due to 2016/17 being a 15 month period and 2017/18 being a 12 month period but also 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 specialty bond, real estate and short term mandates. **Beutel Goodman & Company Ltd.** has a specialty Canadian equity mandate. **TD Asset Management (TDAM)** has U.S. equities and International equities index mandates. **Grantham, Mayo, Van Otterloo & Company (GMO)** has specialty all country ex. U.S. equities and emerging markets equities mandates.

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

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements included in the annual report of the Saskatchewan Telecommunications Pension Plan for the year ended March 31, 2018, are the responsibility of management and have been approved by the Pension Board. Management has prepared the financial statements in accordance with Canadian accounting standards for pension plans. The financial information presented elsewhere in this annual report is consistent with that in the financial statements.

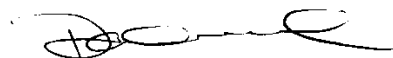
To ensure the integrity and objectivity of the financial data, management maintains a comprehensive system of internal controls including written policies and procedures, an organizational structure that segregates duties and a comprehensive internal audit program. These measures provide reasonable assurance that transactions are recorded and executed in compliance with legislation and required authority, assets are properly safeguarded and reliable financial records are maintained.

The Pension Board is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. The Pension Board fulfills this responsibility through periodic meetings with management and with the internal and external auditors. Both the internal and external auditors have free access to the Pension Board to discuss their audit work, their opinion on the adequacy of internal controls and the quality of financial reporting. The Pension Plan's annual financial statements have been reviewed in detail with the entire Pension Board prior to approval by the Pension Board.

The financial statements have been audited by the independent firm of KPMG LLP, Chartered Professional Accountants, as appointed by the Lieutenant Governor in Council and approved by Crown Investments Corporation of Saskatchewan.



Charlene Gavel
Chief Financial Officer



David Holzapfel
Pension Plan Manager

June 21, 2018

ACTUARY'S OPINION

Aon 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 March 31, 2017. The Board retained Aon to prepare an extrapolation of the Plan's liabilities from March 31, 2017 to March 31, 2018. This extrapolation was used to prepare the actuarial information for inclusion in the Annual Report for the year ended March 31, 2018.

The extrapolation for the Plan's liabilities to March 31, 2018 was based on:

- An actuarial valuation (based on membership data provided by the Board) as at March 31, 2017;
- Methods prescribed by the Chartered Professional Accountants Canada for pension plan financial statements; and
- Assumptions about future events (economic and demographic) which were developed by management and Aon and are considered as management's best estimate of these events.

While the actuarial assumptions used to determine liabilities for the Plan's financial statements contained in the Annual Report represent management's best estimate of future events, and while in my opinion these assumptions are appropriate for the purposes of the valuation and extrapolation, the Plan's future experience will differ from the actuarial assumptions. Emerging experience differing from the assumptions will result in gains or losses that will be revealed in future valuations, and will affect the financial position of the Plan.

The data has been tested for reasonableness and consistency with prior valuations and in my opinion the data is sufficient and reliable for the purposes of the valuation and extrapolation. It is also my opinion that the methods employed in the valuation and extrapolation are appropriate. My opinions have been given, and the valuation and extrapolation have been performed in accordance with accepted actuarial practice in Canada.



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

April 27, 2018



KPMG LLP
Hill Centre Tower II
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Regina Saskatchewan S4P 4K9
Canada
Telephone (306) 791-1200
Fax (306) 757-4703

INDEPENDENT AUDITORS' REPORT

To the Members of the Legislative Assembly, Province of Saskatchewan

We have audited the accompanying financial statements of Saskatchewan Telecommunications Pension Plan, which comprise the statement of financial position as at March 31, 2018, the statements of changes in net assets available for benefits and changes in pension obligations for the twelve month period 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 March 31, 2018, and the changes in its net assets available for benefits and changes in its pension obligations for the twelve month period then ended in accordance with Canadian accounting standards for pension plans.

KPMG LLP

Chartered Professional Accountants

June 21, 2018
Regina, Canada

STATEMENT OF FINANCIAL POSITION

As at March 31,


Thousands of dollars	Note	2018	2017
Assets			
Cash		\$ 386	\$ 752
Accrued investment income		221	360
Investments under a securities lending program	5	47,184	47,013
Investments	5	996,865	983,246
		1,044,656	1,031,371
Liabilities			
Accounts payable		1,109	1,125
Net assets available for benefits		1,043,547	1,030,246
Pension obligations		9	1,036,502
Surplus (deficit)		\$ 7,045	\$ (100,998)

See accompanying notes to the financial statements

Approved by the Pension Board



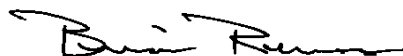
Peter Hoffmann - Chairperson



Scott Smith – Member



Charlene Gavel – Member



Brian Renas – Member



Andrew Malinowski - Member

June 21, 2018

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

Thousands of dollars	Note	For the twelve months ended March 31, 2018	For the fifteen months ended March 31, 2017
Net assets available for benefits, opening balance		\$ 1,030,246	\$ 1,022,279
Increase in assets			
Investment income	6	44,829	39,913
Unrealized increase in fair value of investments		38,443	56,684
Total increase in assets		83,272	96,597
Decrease in assets			
Benefits paid	7	66,898	84,295
Administration expenses	8	3,073	3,856
Refunds and transfers			
Contributions		-	123
Interest		-	356
Total decrease in assets		69,971	88,630
Net increase in assets		13,301	7,967
Net assets available for benefits, closing balance		\$ 1,043,547	\$ 1,030,246

See accompanying notes to the financial statements

STATEMENT OF CHANGES IN PENSION OBLIGATIONS

Thousands of dollars	Note	For the twelve months ended March 31, 2018	For the fifteen months ended March 31, 2017
Pension obligations, opening balance		\$ 1,131,244	\$ 1,126,512
Increase in pension obligations			
Interest on pension obligations		38,423	50,251
Impact of changes in assumptions	9	-	39,255
		38,423	89,506
Decrease in pension obligations			
Benefits paid	7	66,898	84,295
Refunds and transfers		-	479
Impact of changes in assumptions	9	39,810	-
Experience gains	9	26,457	-
		133,165	84,774
Pension obligations, closing balance		\$ 1,036,502	\$ 1,131,244

See accompanying notes to the financial statements

Notes to Financial Statements

Note 1 - Description of the Plan

The following description of the Saskatchewan Telecommunications Pension Plan (the Plan) is a summary only. For more complete information, reference should be made to the Saskatchewan Telecommunications Pension Plan Text.

General

The Plan is a defined benefit plan maintained by Saskatchewan Telecommunications (the Corporation) for those employees who were hired prior to October 1, 1977 and who did not elect to transfer to the Public Employees' Pension Plan by October 1, 1978. The Plan is governed by *The Pension Benefits Act*, 1992 (the Act). The Plan is registered under *The Income Tax Act* and *The Pensions Benefits Act*, 1992, registration #0360891, is regulated by the Financial and Consumer Affairs Authority of Saskatchewan – Pension Division, and is administered by a five person Board appointed by the Corporation and Unifor.

Funding

The Plan is funded on the basis of actuarial valuations, which are performed at least every three years. The most recent actuarial valuation for funding purposes was performed as of March 31, 2017.

The Plan is a Specified Plan, and in accordance with the Act, is not subject to funding any solvency deficits that may arise. The Corporation will continue to monitor the going concern position of the Plan and can, at any time, begin to fund again if necessary. As the sponsor of the SaskTel Pension Plan, the Corporation is committed to meeting all funding requirements necessary to fulfill pension obligations to plan members.

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 ceased.

Benefits

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

Service pensions

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

Note 1 - Description of the Plan, continued

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

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

Survivor pensions

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

Death refunds

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

Income taxes

The Plan is a Registered Pension Plan as defined in *The Income Tax Act* and is not subject to income taxes.

Note 2 – Basis of preparation**a. Change of year end**

The Plan elected to change its fiscal year end to March 31 to coincide with the Corporation's fiscal year. The first complete fiscal period consisted of the fifteen (15) months ended March 31, 2017. Information included in the following discussion focuses on the 12 months of the current fiscal period as compared to the fifteen (15) month fiscal period ended March 31, 2017. As a result, information contained in these financial statements may not be comparable with previously reported information.

b. Statement of compliance

The financial statements for the year ended March 31, 2018 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).

c. 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***d. Functional and presentation currency**

These financial statements are presented in Canadian dollars, which is the Plan's functional currency.

e. Use of estimates and judgments

The preparation of financial statements in accordance with Canadian accounting standards for pension plans requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in assets, and increases and decreases in pension obligations during the reporting period. Actual results could differ from these estimates and changes in estimates are recorded in the accounting period in which they are determined. Information about assumptions and estimation of uncertainties that have a significant risk of resulting in a material adjustment within the next fiscal period includes valuation of investments (Note 5 – Investments) and measurement of the pension obligations (Note 9 – Pension Obligations).

Note 3 - Significant accounting policies**Basis of accounting**

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

New standards and interpretations 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 with early adoption permitted. The Plan assessed the impact of the standard and adopted it effective from April 1, 2017. There were no material impacts due to this change.

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

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

The Plan's capital consists of the investment assets of the Saskatchewan Telecommunications Pension Fund, managed under the authority of the Saskatchewan Telecommunications Pension Board.

The objective of the Plan is to meet the present and future pension obligations accumulated on behalf of the Plan's participants, while complying with *The Pension Benefits Act, 1992* and Canada Revenue Agency regulations.

The Plan's permissible investments include Canadian equities (including rights, warrants, installment receipts and capital shares), U.S. and international equities, bonds of Canadian issuers, short term securities, mortgages, real estate and pooled funds. Any other type of investment is not permitted without prior approval of the Board.

The Plan's investment policy provides a framework for the prudent investment and administration of the Pension Fund for the purpose of managing capital assets. The policy provides the investment managers with a written statement of specific quality, quantity and rate of return standards. The policy is re-visited annually to ensure it is meeting the objectives of the Plan's capital management to ultimately meet all pension obligations.

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

Note 5 - Investments

The Fund has the following investments

As at March 31,

Thousands of dollars	2018	2017
Investments		
Short term investments	\$ 5,489	\$ 14,315
Pooled real estate	171,059	152,776
Canadian equities	58,223	69,283
Canadian pooled equity funds	8,648	10,124
US pooled equity fund	112,615	129,920
Non-North American pooled equity funds	186,194	212,639
Bonds	600	452
Pooled bond funds	454,037	393,737
	996,865	983,246
Investments under securities lending program		
Short term investments	2,514	1,240
Canadian equities	44,670	45,773
	47,184	47,013
Total investments	\$ 1,044,049	\$ 1,030,259

Short term investments

Short term investments are comprised of treasury bills, notes and commercial paper with a market yield of 1.2% to 1.7% (2016/17 - 0.5% to 1.1%) and an average term to maturity of 44.1 days (2016/17 – 92.3 days). The Plan’s investment policy states that investments must meet a minimum investment standard of “R-1” as rated by the recognized credit rating service. Other than the Government of Canada, no single issuer represents more than 25.2% (2016/17 – 20.0%) of the fair value of the short-term investment portfolio.

Pooled real estate

Investments in pooled real estate consist of Canadian commercial property.

Equities

Individual holdings are limited, by Fund policy, to a maximum of 10% of the market value of each investment manager’s portfolio. At March 31, 2018, 9.2% (March 31, 2017 – 9.3%) 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 March 31, 2018, 0.08% (March 31, 2017 - 0.08%) 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 March 31, 2018, 1.30% (March 31, 2017 – 0.60%) 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 March 31, Fund	2018			2017		
	Amount (\$000)	Yield (%)	Duration (years)	Amount (\$000)	Yield (%)	Duration (years)
Greystone three year target duration fund	\$ 96,616	2.3	3.0	\$ 93,774	1.4	3.0
Greystone eight year target duration fund	134,863	2.9	8.0	106,960	2.5	8.0
Greystone fifteen year target duration fund	119,697	3.1	15.1	102,371	3.3	15.0
Greystone twenty plus year target duration fund	102,861	3.0	25.1	90,632	3.3	25.0
	\$454,037			\$393,737		

Note 6 – Investment income

Thousands of dollars	For the twelve months ended March 31, 2018	For the fifteen months ended March 31, 2017
Short term investments	\$ 23	\$ 151
Canadian equities	3,186	4,505
Canadian pooled equity funds	611	732
US equities	6	456
US pooled equity fund	20,354	8,165
Non-North American pooled equity funds	6,388	7,116
Bonds	8	7
Pooled bond funds	14,253	18,781
	\$ 44,829	\$ 39,913

Note 7 – Benefits paid

Thousands of dollars	For the twelve months ended March 31, 2018	For the fifteen months ended March 31, 2017
Retirement benefits	\$ 60,237	\$ 76,761
Death benefits	6,661	7,534
	\$ 66,898	\$ 84,295

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.

Thousands of dollars	For the twelve months ended March 31, 2018	For the fifteen months ended March 31, 2017
Investment management	\$ 2,468	\$ 3,028
Plan administration	279	345
Investment consultant	142	218
Actuary	56	44
Custodian	47	88
Brokerage commissions	33	79
Audit	28	27
Board	13	20
Other	7	7
	\$ 3,073	\$ 3,856

Note 9 – Pension obligations

The present value of pension obligations was determined using the projected accrued benefit method prorated on services. An actuarial valuation to determine the pension obligation was performed at March 31, 2017 and extrapolated to March 31, 2018 by AON, a firm of consulting actuaries. The next valuation is scheduled to be completed March 31, 2020.

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

Note 9 – Pension Obligations, continued

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

Thousands of dollars	For the twelve months ended March 31, 2018		For the fifteen months ended March 31, 2017
*Experience gain	\$	26,457	\$ -
**Gain (loss) due to impact of assumption changes		39,810	(39,255)
	\$	66,267	\$ (39,255)

* Net experience gains decreased the obligation by \$26.5 million which resulted from the difference between the assumed experience of the Plan and what actually occurred; for example, actual retirements, deaths, and salary increases. Plan experience items only happen each time a new valuation is performed.

** Assumption changes decreased the obligation by \$39.8 million of which \$51.2 million was due to a gain on the indexing assumption and \$(11.4) million was an increase in the obligation due to the discount rate change.

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

As at March 31, Significant Assumption	2018	2017
Discount Rate	3.40%	3.50%
Inflation	2.25%	2.50%
Future Indexing	1.60%	2.00%

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

	<u>Long - Term Assumptions</u>					
	Discount rate		Inflation		Future Indexing	
	4.40%	2.40%	3.25%	1.25%	2.0%	0.6%
(Thousands of dollars)						
Increase (decrease)						
in liability	\$ (105,310)	\$ 126,772	\$ (61,828)	\$ 110	\$ 52,275	\$ (115,789)

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

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

The pension obligations are long term in nature. 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, short term investments, pooled bond funds, bonds, equities, pooled equity funds 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 \$58.8 million representing 12.7% of the carrying value of \$462.6 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 41.5% total of the market value of the total investment portfolio. At March 31, 2018 the Plan's exposure to U.S. equities was 10.8% (March 31, 2017- 12.6%) and its exposure to non-North American equities was 17.8% (March 31, 2017 – 20.6%).

At March 31, 2018, a 10% strengthening (weakening) in the Canadian dollar versus U.S. dollar exchange rate would result in approximately a \$11.3 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 \$18.6 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 2018.

*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 39.3% (March 31, 2017 – 45.4%) of the carrying value of the Plan's total investments. Individual stock holdings are diversified by geography, industry type and corporate entity.

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

As at March 31,

Thousands of dollars		2018		2017
Canadian equities	\$	(9,976)	\$	(3,184)
US equities		(5,086)		3,427
Non-North American equities		(24,321)		(15,492)

Credit risk

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

As at March 31,

Thousands of dollars		2018		2017
Cash	\$	386	\$	752
Accrued investment income		221		360
Bonds and pooled bond funds		454,637		394,189
Short term investments		8,003		15,555
	\$	463,247	\$	410,856

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 March 31, Thousands of dollars	2018				2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Bonds	\$ -	\$ 600	\$ -	\$ 600	\$ -	\$ 452	\$ -	\$ 452
Pooled bond funds	-	454,037	-	454,037	-	393,737	-	393,737
Canadian equities	102,893	-	-	102,893	115,056	-	-	115,056
Canadian pooled equity funds	8,648	-	-	8,648	10,124	-	-	10,124
US pooled equity fund	112,615	-	-	112,615	129,920	-	-	129,920
NNA pooled equity funds	186,194	-	-	186,194	212,639	-	-	212,639
Pooled real estate	-	-	171,059	171,059	-	-	152,776	152,776
Short term investments	-	8,003	-	8,003	-	15,555	-	15,555
Total	\$410,350	\$462,640	\$171,059	\$1,044,049	\$467,739	\$409,744	\$152,776	\$1,030,259

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

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

Thousands of dollars	For the twelve months ended March 31, 2018	For the fifteen months ended March 31, 2017
Beginning balance	\$ 152,776	\$ 140,523
Purchases	-	-
Sales	-	-
Net gain realized in investment income	-	-
Unrealized change in market value	18,283	12,253
Ending balance	\$ 171,059	\$ 152,776

Note 11 - Investment performance

The investment manager makes the day-to-day decisions of whether to buy or sell specific investments in order to achieve the long-term investment performance objectives set by the Board. It is these long-term investment performance objectives that are used to assess the performance of the investment manager.

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

	For the twelve months ended March 31, 2018	For the fifteen months ended March 31, 2017
	Return (%)	
Plan's actual rate of return	8.2	7.8
Target rate of return	6.8	7.2

	For the Four years ended March 31, 2018	For the Four years ended March 31, 2017
	Rolling four-year average annual return (%)	
Plan's actual rate of return	8.2	9.5
Target rate of return	7.6	8.8

Note 12 - Related party transactions

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

	For the twelve months ended March 31, 2018	For the fifteen months ended March 31, 2017
Thousands of dollars		
Administration expenses - Plan administration	\$ 279	\$ 345
Administration expenses - Other	7	7
Total	\$ 286	\$ 352

**SCHEDULE OF ACCUMULATED NET ASSETS AVAILABLE FOR BENEFITS
FOR THE PERIOD FROM MAY 1, 1928 TO MARCH 31, 2018**

Thousands of dollars

CUMULATIVE INCREASE IN ASSETS

Investment income		\$	1,186,456
Cumulative increase in fair value of investments			802,319
Contributions			
Employers'			367,763
Employees' - Active	1,597		
- Retired, deferred	108,542		
- Resigned	16,201		
- Transferred	649		126,990
Early and enhanced retirement adjustments			19,450
Employer withdrawal			(34,200)
Employees' interest on back contributions			729
			2,469,506

CUMULATIVE DECREASE IN ASSETS

Payments to superannuates and beneficiaries	1,392,076		
Refund of employees' contributions	12,991		
Interest on refunded employees' contributions	5,842		
Transfer of contributions	7,623		
Transfer of interest on contributions	7,281		
Supplementary retirement payments			
to employees not eligible for pension	93		
Death benefit (matching amount)	36		
Interest on employee's savings plan	17		1,425,959

**NET ASSETS AVAILABLE FOR BENEFITS
AT MARKET VALUE - MARCH 31, 2018**

\$ **1,043,547**