SaskTel Pension Plan News

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Message from the Chair

I am pleased to provide an update regarding the SaskTel Pension Plan on behalf of the SaskTel Pension Plan Board of Directors (the Board).

As of March 31, 2024, the Plan had approximately $856 million in assets.

Total benefits paid for the fiscal year were approximately $61 million.

The Plan continues to progress towards total liability matching. Since the Plan is closed, the Board is pursuing a strategy of minimizing investment return risks by moving out of equities and is currently pursuing a reduction in real estate holdings. The Board continues to monitor this de-risking process in the upcoming year. The Board will continue to monitor investment allocations to ensure that de-risking of the Plan's investments progresses in a manner that maintains the financial sustainability of the Plan.

An actuarial valuation was performed as required by the Pension Benefits Act to assess the financial status of the Plan as of March 31, 2023. The valuation results showed total fund assets of $900 million on a going concern basis, with a surplus of $27 million, a funded ratio of 103%, and a provision for adverse deviation of 5%.

"Since the Plan is closed, the Board is pursing a strategy of minimizing investment return risks"

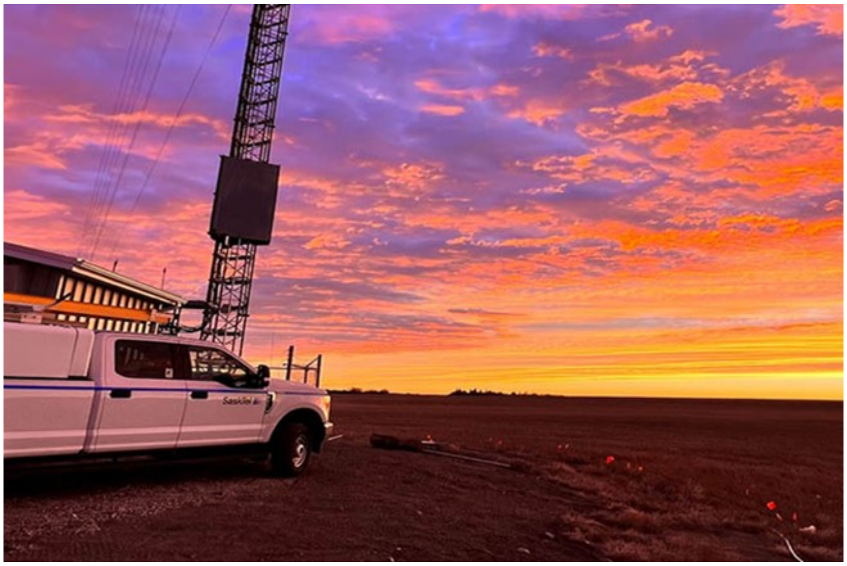
As per the terms of the Plan Text, the cost of living allowance for retired plan members was increased by 2% as of April 1, 2024.

The Board will commence a strategic planning process in June 2024 to examine and determine goals and objectives for the SaskTel Pension Plan for the next 3 – 5 years.

The Board is an engaged group that works diligently to serve the best interests of the members of the SaskTel Pension Plan.

Sincerely,

Marg Romanow
Chair SaskTel Pension Board



At the tower site, photo by Kevin Leek, SaskTel Trunking & Switching Technician

Annual Pension Increase

The annual pension increase is 2.00% effective April 1, 2024. This reflects the Plan provisions for indexing which provide a maximum of a 2% increase based on the average consumer price index for Canada from December 2022 to December 2023. The increase was applied starting with your April 2024 payment.

PEBA is now Plannera

On January 1, 2024 the Public Employees Benefits Agency (PEBA) became Plannera Pensions and Benefits (Plannera), a not-for-profit corporation. This change will have no effect on plan members' life insurance coverage.

For more information, please refer to Plannera's website, www.plannera.ca.

Keep your information current

Please notify us immediately of any changes to your mailing address, banking details, marital status, or appointment of a power of attorney overseeing your affairs.

The Pension Plan continues to use mail as the primary method to communicate with members which makes it vital that we have your current address.

Thank you for your responses

Thank you for your cooperation in responding the membership audit letters over the past two years. With your responses, we were able to improve our data quality by 18% as well as increase the accuracy of the estimated liability for the most recent valuation. This will assist the Board in its mandate to provide secure retirement income to Plan members.

2024/25 Pension Pay Dates

Pension payments are deposited directly to your bank account on the last business day of the month except for December, where it is deposited no later than the 23rd of the month.

2024

Friday, August 30

Friday, September 27

Thursday, October 31

Friday, November 29

Monday, December 23

2025

Friday, January 31

Friday, February 28

Monday, March 31

Wednesday, April 30

Friday, May 30

Monday, June 30

Thursday, July 31

Friday, August 29

Annual Report Highlights

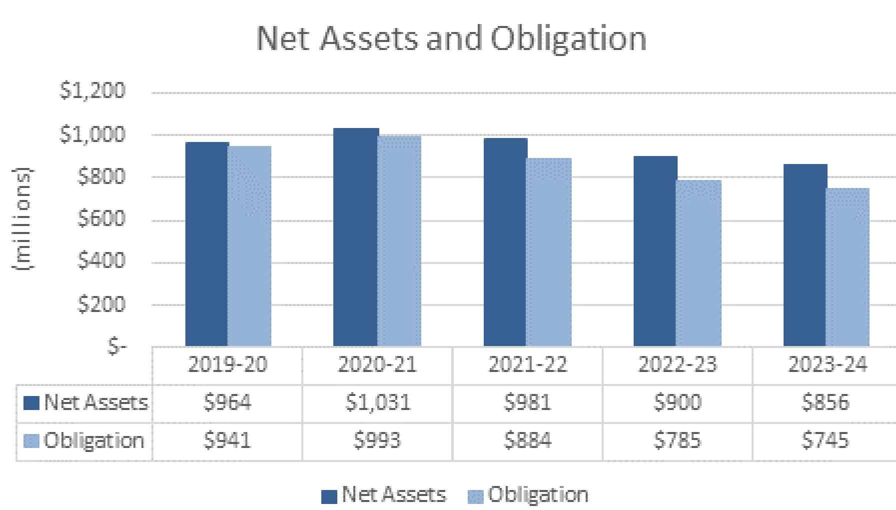
Financial Snapshot as at March 31, 2024

Thousands	2023/24	2022/23
Net assets available for benefits,	$899,822	$981,039
Investment income	30,383	27,383
Benefits paid	(61,266)	(61,934)
Refunds and transfers	(294)	-
Expenses	(2,049)	(2,323)
Unrealized losses	(10,832)	(44,343)
Net assets available for benefits	**855,764**	**899,822**
Pension obligation	744,818	785,498
Surplus	**$110,946**	**$114,324**

Net Assets and Pension Obligation

Net assets available for benefits decreased by $44.1 million, or 4.9%, year over year due to the benefits paid exceeding the investment income provided by the Plan assets. This is a normal occurrence for closed plans with a fully retired membership.

The pension obligation decreased by $40.7 million, or 5.1%, year over year due to the benefits paid from the Plan and experience gains revealed in the actuarial valuation offset by the interest on the pension obligation.



Key Figures

Net assets

$855.8 million

Accounting

- Obligation

  $744.8 million

- Surplus

  $110.9 million

- Status

  115.0%

Solvency status

110.9%

Going concern status

101.5%

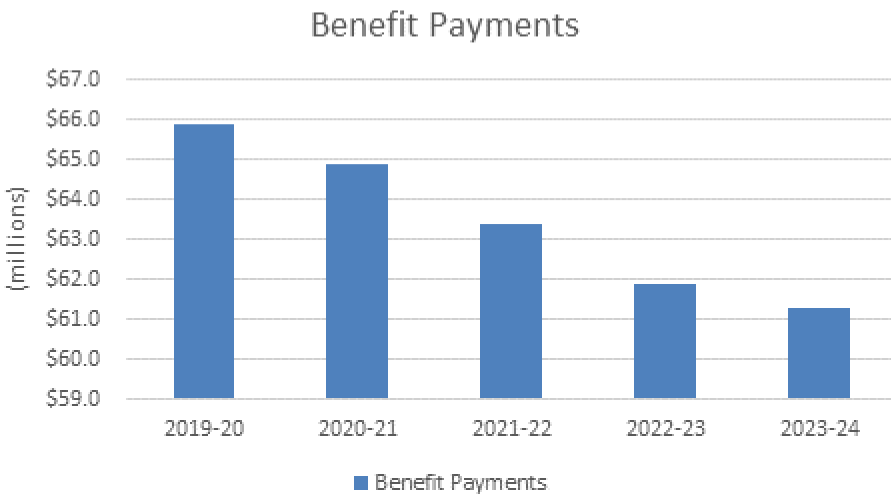
Total membership

1,707

For a copy of the full annual report, please visit our website www.sasktel.com/pensionplan or contact us to request a copy be sent to you.

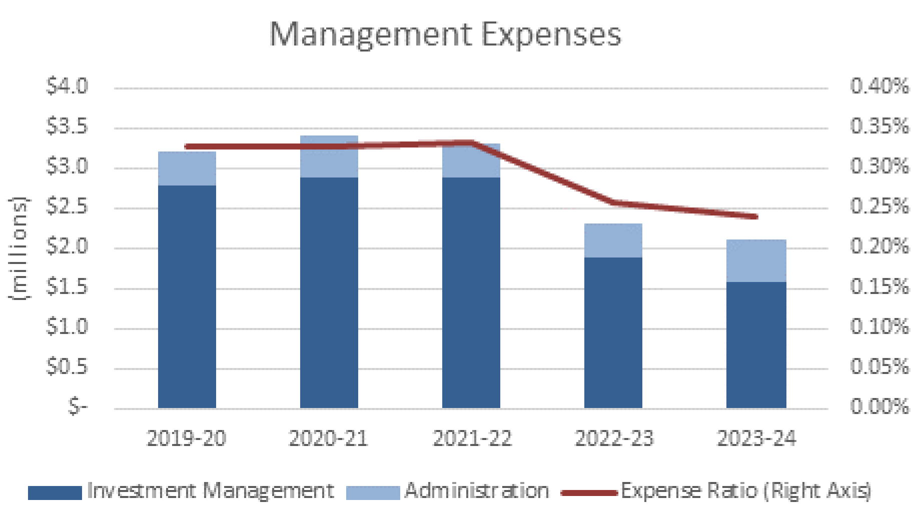
Plan Expenses

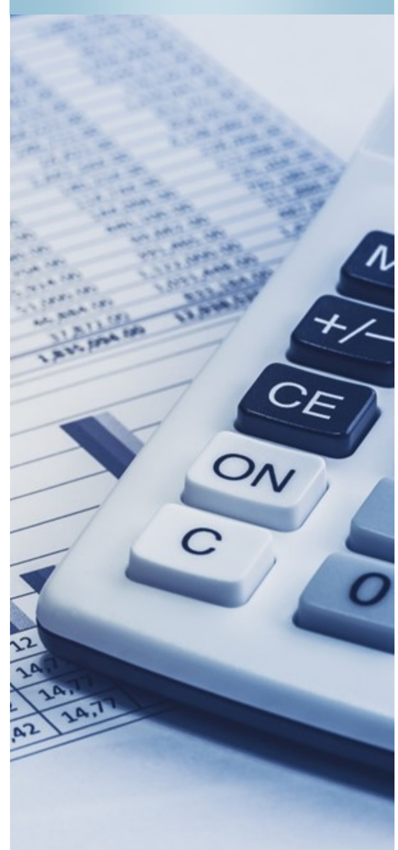
Member monthly benefit payments is the primary expense of the Plan with $61.3 million in pension payments made in 2023/24, a decrease of $0.6 million from the previous year due to fewer plan members drawing benefits.



Management expenses, comprised of investment management and related fees along with plan administration costs, declined from $2.3 million in 2022/23 to $2.1 million in 2023/24. The primary reason is the lower investment management fees incurred due to the shift in the asset mix to fixed income, which incur lower fees than equities and real estate.

The management expense ratio, which is the management expenses expressed as a percentage of the assets of the Plan, declined to 0.24% from 0.26% the year before.





Investment Performance

Global equity markets rose notably in the year ending March 31, 2024. A key driver was monetary policy pauses by major central banks and increasing expectations of rate cuts in 2024. Another important factor was the strong leadership of a handful of U.S. growth stocks that delivered very strong earnings and caught the tailwind of investor enthusiasm for artificial intelligence. The MSCI All Country World Index (CAD)(Net) returned +23.2% over the year ending March 31, 2024. Over the 4-year period, the Index returned +15.8%.

Bonds had a volatile year as yields moved meaningfully throughout the year. Yield shifts during the year reflected the market's view on inflation, interest rates and monetary policy. After raising rates three times in the first half of the 2023, the Bank of Canada held the policy rate steady at 5%. The Bank cited growing evidence that rate hikes were having their intended effect on the economy and inflation. The long bond yield dropped notably at the end of 2023 after hitting a 10-year peak. This was followed by a rapid rise in yields in

"The Total Fund returned +2.3%, which was 0.2% above the benchmark over the year. Four-year performance aligned with the Total Fund benchmark return of +4.0%."

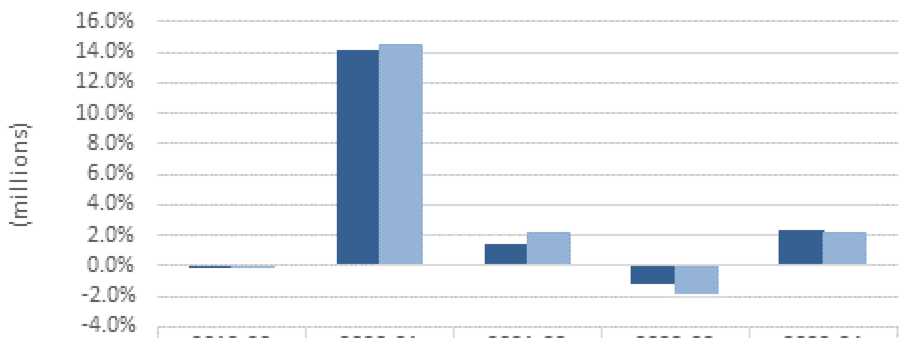
early 2024, as investor expectations for future Bank of Canada rate cuts waned. Overall, the FTSE Canada Long Bond Index returned +0.8% over the year, and the FTSE Canada Universe Bond Index returned +2.1%.

Canadian real estate struggled in the year ending March 31, 2024. Higher interest rates led to higher capitalization rates (yields investors use to price real estate) across all property types. Office properties were the most severely impacted with negative annual appraisals across all geographies. There were brights spots where demand, and thus prices, was stable. These would include Retail space in Alberta and BC, Industrial properties in BC and Residential properties in Ontario. In the year, the MSCI/REALPAC Canada Quarterly Property Fund Index (PFI) returned -0.6%*.

The Total Fund returned +2.3%, which was 0.2% above the benchmark over the year. Over the period, both TDAM Liability-Matching Bonds and TDAM Real Estate Fund added modest value. Four-year performance aligned with the Total Fund benchmark return of +4.0%. On a real return basis (net of inflation), the Total Fund was below the 1.75% objective over four-years, largely due to the elevated inflation (4.0%) over the period.

The Total Fund target asset mix remains overweight to real estate relative to its long-term target. The real estate allocation continues to be reduced in favour of Liability Matching Bonds. This process will proceed gradually over several quarters. When the rebalancing is completed, the Total Fund will be significantly de-risked from any interest rate risk.

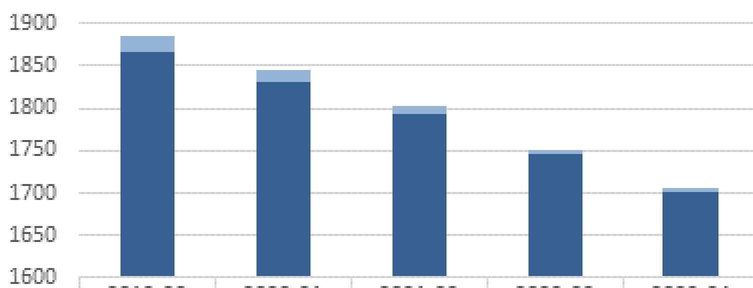
Annual Return, 1 year trailing



	2019-20	2020-21	2021-22	2022-23	2023-24
Return	-0.1%	14.1%	1.4%	-1.1%	2.3%
Benchmark	-0.1%	14.4%	2.1%	-1.8%	2.1%

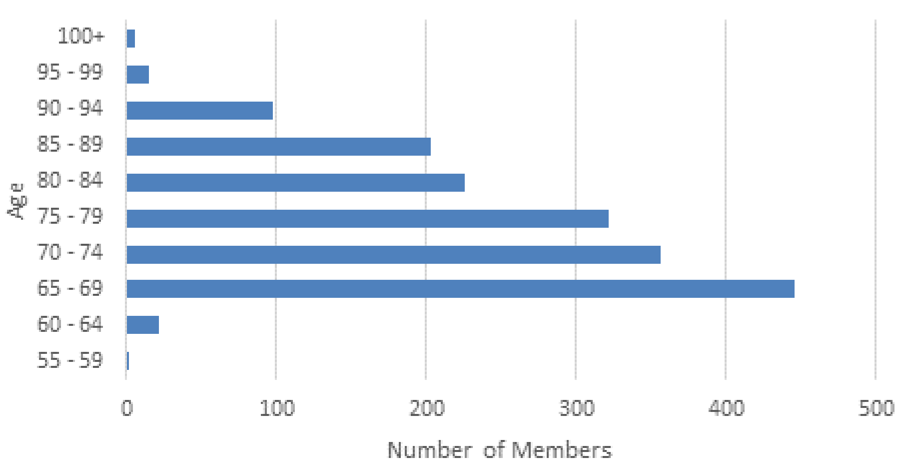
Plan Membership

Plan Membership



	2019-20	2020-21	2021-22	2022-23	2023-24
Active Employees	18	13	8	7	5
Pensioners	1867	1832	1794	1745	1702

Membership Age Profile



Membership Trivia

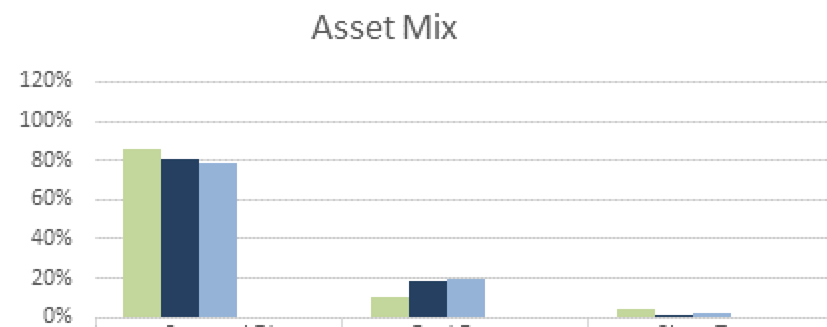
- The average age of members is 76.6 years.
- Six centenarians are in the ranks!
- The 5 active members have achieved a minimum of 47 years of service at SaskTel.

Investment Policy

The Board, in cooperation with their advisors, assessed the Plan maturity, funded status, risk preferences and tolerances. The Plan maturity is high, cash demands are high, the Plan is fully funded and there is a low tolerance for risk. Based on these factors, the Fund can assume a low level of investment risk. An investment philosophy focused on earning modest returns within a very low risk portfolio was adopted by the Board. The primary investment objective is to achieve returns in-line with the growth of Plan liabilities.

The Board identified the primary risk as movements in interest rates that unevenly impact assets and liabilities. To address the risk, the Fund is primarily invested in a custom liability matching bond mandate. Direct real estate is the additional asset held in the Fund to achieve growth. The Plan is notably de-risked from a funding volatility perspective.

"The primary investment objective is to achieve returns in-line with the growth of Plan liabilities."



	Custom LDI	Real Estate	Short Term
Benchmark	86.00%	10.00%	4.00%
31-Mar-24	80.48%	18.15%	1.37%
31-Mar-23	78.35%	19.29%	2.36%
Minimum	75.00%	0.00%	0.00%
Maximum	100.00%	25.00%	10.00%

The Board reduced the real estate target allocation to 10% in 2022/23 and increased the target allocation for liability matched fixed income and short term to a combined 90% of total assets. Some progress has been made in reducing the real estate, but given the limited liquidity of the asset class it is expected to take another 12 to 16 months to reach the benchmark allocation of 10%.

River Landing Office in Saskatoon, a property held in the real estate investment fund. Courtesy of TD Global Investment Solutions.

Governance

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 plan beneficiaries.

The Board met seven times during 2023/24 to provide oversight and transact the business of the Plan. Notable activities include:

- Reviewed investment performance and the Plan's financial status quarterly.
- Reviewed the Plan's documents for compliance with prevailing legislation.
- Reviewed and updated the Statement of Investment Policies and Goals.
- Reviewed the performance of the service providers.
- Reviewed the actuarial assumptions used to assess the financial status of the Plan.
- Performed a full actuarial valuation of the Plan as at March 31, 2023.
- Reviewed governance practices as outlined in the Plan's governance manual.

In the coming year, the Board will be performing an in-depth review and update of its strategic plan, goals and objectives.

The Board

The primary responsibility of the Board, as the Plan Administrator, is to deliver the earned pensions. The Board has a legal responsibility to act in accordance with the Plan documents, the Saskatchewan Pension Benefits Act and Regulations, and the Canada Income Tax Act.

Board meetings continue to be in person to enhance participation and discussion. The Board meets at minimum seven times per year.

Board members continue to attend education sessions to expand their current knowledge and skills and to learn new concepts. A combined 172 hours of development activity was undertaken in 2023/24.

Actuarial Valuation Summary

Every three years the Board must perform an actuarial valuation to assess the financial status of the Plan for the primary purpose of establishing a funding recommendation. The valuation report must be filed with the regulator (Financial and Consumer Affairs Authority) and with the Canada Revenue Agency. This valuation is performed by an accredited, independent actuary.

In December 2023 the valuation report was submitted as required outlining the financial status of the Plan as of March 31, 2023. The valuation determined that the Plan does not require additional funding at this time.

The next actuarial valuation will be performed in 2026.

A summary of the 2023 report follows. The full report can be read on the Plan's website.

"Since the Plan has a going concern surplus, no special payments are required in respect of the going concern valuation."

Summary of Principal Results

In thousands	March 31, 2023		March 31, 2020	
	Going Concern	Solvency	Going Concern	Solvency
Assets	$899,822	$898,972	$964,300	$ 963,550
Liabilities	872,699	827,015	943,809	1,130,923
Surplus (Deficit)	**27,123**	**71,957**	**20,491**	**(167,373)**
Funded Ratio	103.1%	108.7%	102.2%	85.2%

Interest rate increases were the primary factor in the significant improvement in the Plan's solvency status compared to the previous valuation.

The going concern status improvement was limited due in part to the asset mix changes implemented in the previous year that decreased the discount rate as the Plan reallocated assets from higher returning equities to lower returning bonds.

Key Assumptions

The principal assumptions to which the valuation results are most reliant upon include:

- Discount rate
- Inflation rate
- Indexing rate
- Life expectancy

The following table outlines the key assumptions used in the 2023 valuation with a comparison of the values used for the previous valuation.

	March 31, 2023		March 31, 2020	
	Going Concern	Solvency	Going Concern	Solvency
Discount Rate	4.00%	4.60%	5.00%	2.80%
Future Indexing	1.6%	2.0%	1.6%	2.0%
Inflation Rate	2.25%	n/a	2.25%	n/a

As the table shows, the only change in the key assumptions from the previous valuation study is with the discount rate which was updated to reflect the higher interest rate expectations compared to three years ago for solvency, and the lower investment return expectations resulting from the shift of assets from equities to fixed income bonds that has occurred since the last valuation.

Plausible Adverse Scenarios

The valuation also analyzed the Plan's going concern status under four hypothetical adverse scenarios:

- Interest rate sensitivity —future interest rates fall by 1% from current assumptions
- Asset value deterioration—non-fixed income asset values fall by 15%
- Mortality sensitivity—mortality rates improve by 5% (pensioners live longer than assumed)
- Indexing sensitivity—future indexing is at the maximum 2% annually for all future years.

In each of the test scenarios the best estimate of the going concern status remained above 100%.

Actuarial Assumptions

Actuarial assumptions take a long term view of the Plan and are the best estimate of what the future may bring. While these assumptions are informed by the current environment, they are not solely based on today's circumstances.

A best estimate assumption is set based on the expectation that the actual results will have an equal probability of being higher or lower than the assumed value.

Actual results in the near term will most likely differ from the assumptions to varying degrees.

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

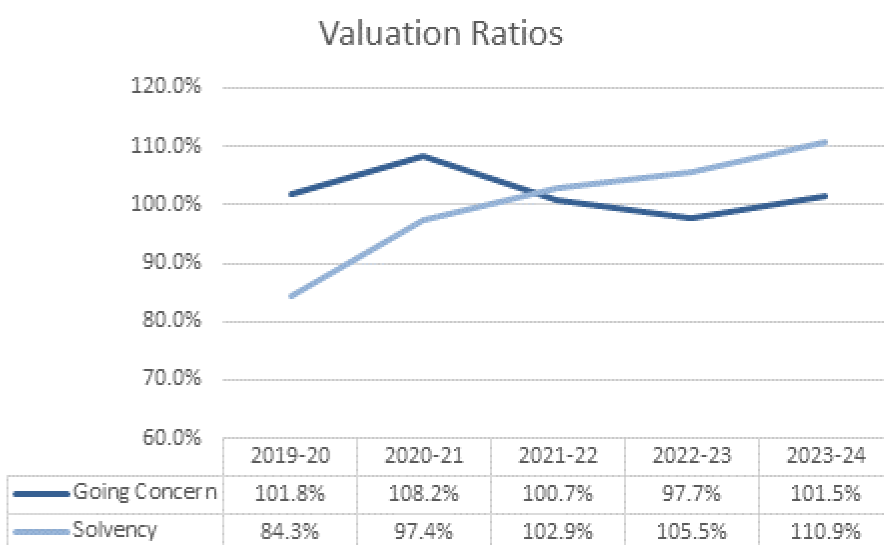
2024 Update

The Board receives interim updates of the going concern and solvency status on a regular basis in order to monitor the health of the Plan.

As at March 31, 2024, the going concern estimate showed a surplus of $13 million, down from the $27 million surplus at the end of March 31, 2023. The solvency estimate increased to a $84 million surplus from a $72 million surplus at March 31, 2023.

In thousands	March 31, 2024	
	Going Concern	Solvency
Assets	$855,764	$854,914
Liabilities	842,800	771,200
Surplus (Deficit)	**12,963**	**83,714**
Funded Ratio	101.5%	110.9%

Previous Funded Ratios



Role of SaskTel

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

Actuarial Valuation 101

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

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

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

- Investment returns
- Inflation rates
- Interest rates
- Life expectancy

These assumptions are used to calculate the value of the pension obligations. The actuary compares the assets to the estimated obligation and determines whether the Plan is properly funded.

The Valuation Figures

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

- Going concern (Funding)
- Solvency

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

<u>Going Concern (Funding)</u>

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

<u>Solvency</u>

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

The Impact of Interest Rates

Interest rates, known as discount rates in actuarial calculations, play a large role in determining the financial status of the Plan. When interest rates increase, the estimated current value of all future liabilities of the Plan decrease, while a decrease in rates results in an increase in the estimated liability.

The mandate of the Board is to facilitate the prudent administration and investment of the Pension Plan.

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 plan beneficiaries.

SaskTel Pension Plan

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

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

Since the Plan's inception it has paid $1.8 billion in pension benefits to its members, funded by $127 million in employee contributions and $334 million in employer contributions, with the difference coming from investment returns.

SaskTel Pension Plan

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