Saskatchewan Pension Plan

Annual Report 2004

For the Year Ended December 31, 2004

Table of Contents

Saskatchewan Pension Plan
Box 5555
Kindersley, Saskatchewan
S0L 1S0
Toll-free number: 1-800-667-7153
TTY access: 1-888-213-1311
E-mail: office@spp.gov.sk.ca
Website: www.saskpension.com

Letters of Transmittal

Her Honour
The Honourable Dr. Lynda Haverstock
Lieutenant Governor,
Province of Saskatchewan

Your Honour:

I have the honour to submit the Annual Report of the Saskatchewan Pension Plan for the year ended December 31, 2004.

Respectfully submitted,

SIGNED

Harry Van Mulligen
Minister Responsible
Saskatchewan Pension Plan

The Honourable Harry Van Mulligen
Minister Responsible
Saskatchewan Pension Plan

Sir:

On behalf of the Board of Trustees for the Saskatchewan Pension Plan, I have the honour to present the Annual Report for the Saskatchewan Pension Plan for the year ended December 31, 2004.

Respectfully submitted,

SIGNED

Katherine Strutt
General Manager
Saskatchewan Pension Plan

Corporate Philosophy

Our Mission

Provide people with the opportunities to make their financial lives better.

Our Vision

The plan that people know and trust to provide financial products and services.

Our Values

Member Service

- Understanding member needs and meeting or exceeding their expectations
- Keeping member issues and inquiries our priority
- Managing our resources wisely, with a vision committed to long term growth and stability

Integrity

- Dealing fairly with employees, co-workers, members, and the general public

Initiative

- Encouraging creativity
- Learning and self development
- Planning and executing new approaches and methods

Teamwork

- Accepting diversity and difference
- Co-operating to accomplish common goals

Strategic Direction

"...governance refers to the structure and processes for overseeing, managing and administering the pension plan..."

The Saskatchewan Pension Plan (SPP) Board and Management continually monitor the Plan's external environment, core competencies, and input from Plan members to determine the Plan's future direction. At SPP, strategic planning is a process rather than an event. The focus of future plans is to support our mission - 'Provide people with the opportunities to make their financial lives better'.

SPP's goals have been consistent over the past four years. These goals are: to increase Plan membership; to increase Plan assets; and to manage the business effectively and efficiently. The goals are interdependent on one another. Plan membership grows when investments produce strong returns and when the expense ratio is kept on target. Positive results in these areas promote trust and loyalty between the Plan, its members, and the public. As a financial institution operating in difficult economic times and in a highly competitive environment, SPP has worked hard to achieve its goals. These achievements benefit SPP and its members.

The Board completed the Plan's Governance Manual last year and this has been a valuable resource for both the Board and management. Pension plan governance refers to the structure and processes for overseeing, managing and administering the pension plan to ensure the fiduciary and other obligations of the plan are met. SPP's Board and management recognize that governance is not a static event. Therefore, the manual is reviewed on at least an annual basis.

Progress in 2004

Goal 1: Growth of SPP membership

SPP wants more people and younger people to participate in the Plan. These people will enable the achievement of Goal 2 and help ensure long term viablity of the Plan. The average age of the 555 new members joining during the year was 37 years (2003: 39 years).

Goal 2: Growth of SPP Assets

Actual contributions received from members during the year totalled $5.0 million, more than two per cent ahead of 2003 levels. Even during difficult economic times, members are choosing to invest with SPP.

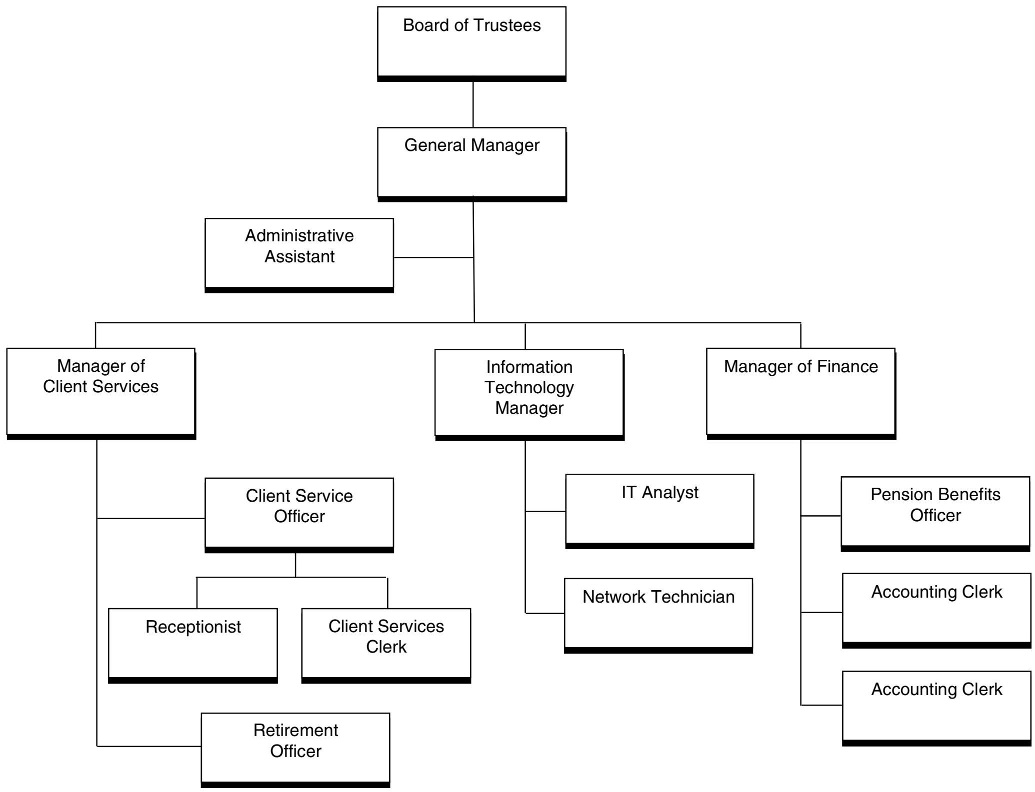
Providing superior customer service will assist with growing membership and assets. SPP continues to monitor its service standards as part of its governance process.

Goal 3: Manage SPP's business effectively and efficiently

SPP is committed to maintaining an expense ratio of 1% or less. During 2004 the ratio was 0.84%. The Board governance manual and service standards have been useful tools to help the Plan achieve this goal for the year in review.

These goals will remain the same for 2005.

Organization Chart



Plan Statistics

Membership profile

Status	%
Active	62
Retired	38

Sex	%
Female	75
Male	25

Occupation	%
Homemaker	29
Farmer	10
Self employed	10
Full time	17
Part time	26
Student	3.5
Other	4.5

Age	%
18-25	2
26-34	5
35-49	22
50-65	34
Over 65	37

New Member Profile

- 71% identify themselves as full-time, part-time or self employed.
- Average age of new members in 2004 was 37 years.
- 57% of the new members were women.

Retirement Profile

- Over 600 members retired in 2004.
- Average monthly pension for new retirees was $96.
- Highest monthly pension is $263.
- Over 11,000 people receive pension from SPP.

Plan Operations

SPP is a voluntary, money purchase plan available to anyone between 18 and 69 years of age. Eligibility is not dependent on residency, income, employment status, gender or membership in other plans. SPP members are full time employees, part time employees, self employed people, homemakers, farmers, and students. At December 31, 2004, SPP had 29,732 members.

SPP has promotional literature available for individuals who wish to obtain more detailed Plan information. This literature can be obtained by:
- calling the toll-free line at 1-800-667-7153;
- visiting the Plan's website at www.saskpension.com; or
- by e-mailing the Plan at: office@spp.gov.sk.ca.

Features of SPP

The Plan is designed for flexibility so that members can make it fit their life situation and budget. The main features of SPP are:

- Voluntary - no obligation to contribute;
- Flexible - payment at any time during the Plan year;
- Portable - people can join and contribute to the Plan regardless of where they reside; and
- Professionally managed investments.

Members and the public use the toll-free inquiry line and the website to contact SPP. In 2004 the toll-free line received over 10,500 calls and web traffic reached an all time high.

Contributing to SPP

SPP has an annual maximum contribution of $600 and there is no minimum contribution. Contributions are tax deductible by the member or their spouse within RRSP guidelines. During 2004, 8,512 members contributed to SPP with an average contribution of $587 (2003: 8,365; $584).

Members like the easy payment options available at SPP. They can use the Pre-Authorized Contribution (PAC) system; mail contributions to the Plan; use their Visa or Mastercard by phone, in person, or on SPP's website; use the telebanking service available at their financial institutions; or contribute, in person, at financial institutions.

Contributions are locked-in and vested and are used to provide the member with a pension at retirement. Contributions are creditor protected and cannot be seized, claimed, or garnisheed in any way except by a court order under a marital division or Enforcement of Maintenance Order.

Assets of members who have not yet retired are held in the Contribution Fund, an actively managed, balanced fund. The fund is managed by Greystone Managed Investments Inc. of Regina, a growth style manager, and Leith Wheeler Investment Counsel Ltd. of Vancouver, a value style manager. The purpose of the fund is to provide members with long term growth. The Plan balances the need for capital growth of younger members and the desire for capital preservation of older members with a mix of equities and fixed income investments. More information on the fund is found in the Investment Highlights section (page 13) and the Investment Policy Summary (page 16).

Plan Operations

Employer Plan

SPP offers a unique opportunity to business owners and their employees. Employers can use SPP to offer the benefit of a pension plan to their employees without incurring the costs of administering a pension plan. Employers simply deduct the contributions from their payroll and submit them to SPP on whatever schedule they choose. Employers may also contribute on behalf of their employees. There is significant room for growth in this area and SPP is actively pursuing marketing efforts here.

Retiring from SPP

Plan members can choose to retire from SPP between the ages of 55 and 69. At the time of retirement, members may direct all or part of their account to purchase an annuity from SPP or transfer their account to a locked-in retirement account or prescribed registered retirement income fund with another financial institution. SPP also offers a small pension payout option for members whose monthly benefit is less than the prescribed amount. In 2004, pensions under $16.88 per month qualified for this option.

Each annuity the Plan offers will pay the member monthly benefits for the rest of his or her life with possible payments to a beneficiary or survivor after the member's death. Annuity payments are determined by the member's account balance, age at retirement, and interest and annuity rates in effect.

When members retire from SPP and choose an annuity from SPP, their funds are transferred from the Contribution Fund to the Annuity Fund. The Annuity Fund is managed by Greystone Managed Investments Inc. of Regina and invests in high quality long-term, fixed income investments.

SPP Board of Trustees
From left to right: Linda Kezima, Earl Hanson, Arnie Arnott, and Gloria Blanchard. Missing: Bob Devrome

Administration

SPP is administered by a Board of Trustees who act as trustee of the fund and administer the Plan in accordance with *The Saskatchewan Pension Plan Act* and Regulations and Board policies.

Board members are appointed by Order-in-Council and serve staggered two year terms. The Chair is Earl Hanson; Board members are Arnie Arnott, Gloria Blanchard, Bob Devrome, and Linda Kezima. SPP would like to recognize the contribution of Esther Bjorklund who served on the Board from 1993 to 2004.

Responsibility for the daily administration of the Plan is delegated to the General Manager. In addition, the Board employs a number of consultants and specialists to assist them with managing member funds. These include:

- professional money managers, Greystone Managed Investments Inc. and Leith Wheeler Investment Counsel Ltd., who are responsible for investing member funds according to the Board's investment policies;
- a custodian, RBC Global Services, who holds all securities and cash in the funds and reports independently to the Board, thereby ensuring all funds are safeguarded; and
- a pension consultant, James P. Marshall, a Hewitt Company, who assists the Board in monitoring the performance of the investment managers.

Plan Operations

Administrative expenses are paid from Plan earnings and SPP focuses on providing efficient service at a reasonable cost. Administrative expenses in 2004 were $1.84 million, or 0.84% of the fund's net asset base.

Privacy

Privacy of Plan and member information has always been important to SPP. The Plan only collects the personal information necessary to run the program. The general rule of SPP's internal privacy policy stipulates that personal information can only be disclosed to the member or his/her authorized representative.

The Freedom of Information and Protection of Privacy Act was enacted in 1992 and is the major piece of provincial legislation governing privacy. In addition to complying with this legislation, SPP is also complying with the Overarching Personal Information Privacy Framework for Executive Government. Questions about privacy should be directed to the Plan's Privacy Officer.

Investment Highlights

Contribution Fund

The strength of the Canadian dollar, and in fact of most major currencies, against the weakening U.S. dollar and rising commodity prices had a significant effect on investment markets in 2004. Concerns over the huge U.S. budget and current account deficits continued to push the Canadian dollar higher, ending the year at $0.83 (US$) - its third consecutive year of gains. However, the economic impact of an appreciating Canadian dollar may have started to kick in, as the manufacturing sector reported job losses for the 4th consecutive quarter.

Index Definitions	
S & P/ TSX 300	Toronto Stock Exchange Index
S & P 500	Standard & Poors 500 US Stocks
MSCI EAFE	Morgan Stanley Europe, Australia and Far East Index
SCUBI	Scotia Capital Universe Bond Index

The Contribution Fund holds all assets of members who have not yet retired. The purpose of the fund is to provide members with long term capital appreciation. The two investment managers, Greystone Managed Investments, Inc. of Regina and Leith Wheeler Investment Counsel Ltd. of Vancouver, invest funds in a balanced portfolio of equities and bonds. SPP's year end return was 10.3%

The following is a summary of the Contribution Fund's performance in 2004. Information on the Annuity Fund can be found on page 15.

Canadian Equities

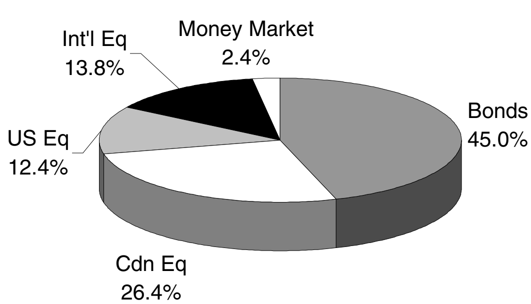
The S&P/TSX Composite Index returned 14.5% in the year, outperforming both U.S. and Non-North American equities. The Energy sector, helped by record-high oil prices, was the best performing sector. This was followed by the Financials sector (banks and financial institutions) as the current low interest environment has accelerated lending activity. On the opposite end, the Health Care sector finished the year with a loss of 17.3%.

Low interest rates, strong demand for natural resources, growing government surpluses, and continued economic growth presented an attractive investment climate for domestic and international investors. SPP's Canadian equity portfolio returned 20.3% for the year.

The graph on the right shows the sector weighting of each portion of the SPP Canadian equity portfolio as at December 31, 2004. Similar information is provided for U.S. equities, Non-North American equities and bonds.

	S&P/TSX 300 Weight Dec. 31, 2004 (%)	Sector Return (%)	Portfolio Weight Dec. 31, 2004 (%)
Energy	18.5	30.3	14.1
Financials	32.9	19.9	35.5
S&P/TSX 300		**14.5**	
Telecom Services	5.2	12.1	1.2
Information Technology	6.6	11.6	5.9
Consumer Staples	4.5	10.5	7.9
Consumer Discretionary	6.4	9.5	5.3
Utilities	1.4	9.4	1.9
Materials	16.9	6.7	9.3
Industrials	6.1	1.4	16.9
Health Care	1.5	-17.3	2.0
Total	100.0		100.0

Contribution Fund Portfolio at December 31, 2004



Investment Highlights

U.S. Equities

The one-year return for U.S. equities was driven largely off returns in the fourth quarter. This was marked by the Presidential election which saw President George W. Bush re-elected for a second term. A post-election surge in the U.S. market was aided by a 23% drop in the price of crude oil and better than expected third quarter earnings reports.

The S&P 500 Index annual return was 10.9% (US$) or 2.8%(C$). This highlights the effect of currency valuations on investment returns. The Energy Sector, led by rising oil prices, was the best performing sector for the year, followed by the Utilities sector. All sectors had positive returns in US$ but three were in negative territory when converted to a Canadian dollar return. SPP's U.S. equity portfolio earned 7.7%.

	S&P 500 Weight Dec. 31, 2004 (%)	**Sector Return (C$) (%)**	**Portfolio Weight Dec. 31, 2004 (%)**
Energy	7.2	19.4	8.1
Utilities	2.9	10.9	1.4
Industrials	11.8	7.5	16.5
Telecom Services	3.3	7.5	0.7
Consumer Discretionary	11.9	4.0	21.0
S&P 500		**2.8**	
Materials	3.1	2.7	5.5
Financials	20.6	0.4	19.3
Consumer Staples	10.5	-1.7	4.7
Information Technology	16.0	-5.3	11.6
Health Care	12.7	-7.1	11.2
Total	100.0		100.0

2004 Market Returns

	Index Return %	SPP Return %
S & P/TSX 300	14.5	20.3
S & P 500 US Eq. (C$)	2.8	7.7
MSCI EAFE Non NA Eq. (C$)	11.5	11.0
SC UBI	7.1	7.5

Non-North American Equities

Non-North American equities, measured by the MSCI EAFE Index, were up 12.7% for the year in local currencies and 11.5% when converted to Canadian dollars. Nine of the ten EAFE sectors had positive returns for the year. Finland was the only country in the Index to post a negative return. In Asia, the year ended on a sad note as a deadly tsunami hit Southeast Asia on December 26. Long term consequences on economic growth are still unknown. SPP's Non-North American equity portfolio earned 11%.

Country	**EAFE Weight Dec. 31, 2004 (%)**	**EAFE Return (C$) (%)**	**Portfolio Weight Dec. 31, 2004 (%)**
Austria	0.4	59.0	0.8
Norway	0.6	42.1	0.9
Greece	0.6	35.4	0.7
Belgium	1.3	33.1	0.9
Ireland	0.9	32.7	3.1
Sweden	2.5	26.3	0.6
New Zealand	0.2	25.3	-
Italy	4.3	22.9	2.7
Denmark	0.8	21.3	0.8
Australia	5.1	20.8	0.8
Spain	4.1	19.5	2.7
Hong Kong	1.7	15.9	5.1
Portugal	0.4	15.6	-
Singapore	0.8	13.4	1.8
EAFE		**11.5**	
United Kingdom	24.9	10.8	25.1
France	9.4	9.8	7.8
Germany	7.0	7.7	5.6
Japan	21.9	7.4	17.7
Switzerland	6.8	6.6	8.2
Netherlands	4.8	4.1	4.0
Finland	1.4	-1.6	1.1
Emerging Markets	0.1	-	7.2
Cash	-	-	2.4
Total	100.0		100.0

Investment Highlights

Members of the Contribution Fund earned 10.3% in 2004. This fund has a ten-year annualized return of 9.3%.

Fixed Income

The Canadian bond market, as measured by the Scotia Capital Universe Bond Index, returned 7.1% for the year. Long term bonds performed better than both mid and short term bonds and provincial bonds outperformed both corporate and federal bonds in the year. The Bank of Canada both raised and lowered the interest rate throughout the year, ending the year at 2.5%. SPP's bond portfolio earned 7.5%.

	SC UBI Weight Dec. 31, 2004 (%)	SC UBI Return (%)	Portfolio Weight Dec. 31, 2004 (%)
Federal	45.4	6.7	44.4
Provincial	25.7	7.9	28.8
Corporate	27.6	7.3	25.3
Municipal	1.3	7.4	1.5
SC UBI		**7.1**	
Total	100.0		100.0

Contribution Fund Assets

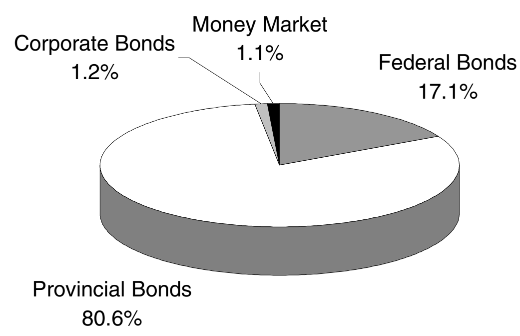
Total assets in the contribution fund were $160.7 million at year end. Further information on investments can be obtained from the Plan office. A summary of the Plan's Investment Policy can be found on page 16 of this report.

Annuity Fund

Assets of retired members are held in the Annuity Fund. Unlike the Contribution Fund, this fund does not hold any equities as investments. This fund is used to make pension payments to retired members and the portfolio is structured in such a way that assets and liabilities are matched. Total assets of the fund at December 31, 2004 were $66.7 million and there was an actuarial surplus of $3.6 million on that same date.

Bond interest rates remained low throughout the year and therefore annuity rates were also low, ranging between 3.4% and 4.1% for the year. The chart below shows the composition of the Annuity Fund assets as at December 31, 2004.

Annuity Fund Portfolio at December 31, 2004



Investment Policy Summary

SPP has established two funds to hold the assets of the Plan: the Contribution Fund and Annuity Fund. The investments must be eligible investments as outlined in *The Pension Benefits Act* and Regulations, the *Income Tax Act* and Regulations, and all subsequent amendments.

The Board of Trustees establishes the Investment Policy and reviews the performance of the funds on a quarterly basis. The Investment Policy is open to review at any time but must be reviewed at least annually by the Board.

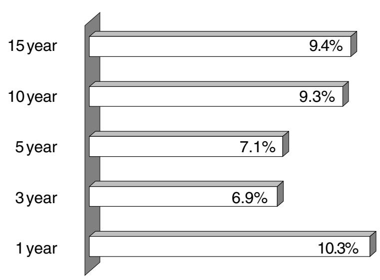
Contribution Fund

The Contribution Fund holds assets of members who have not yet retired. The assets are accumulated under a defined contribution or money purchase arrangement. The purpose of the fund is to accumulate the assets of members and invest these assets in a prudent, risk-controlled manner to provide for long-term growth. The Plan balances the need for capital growth of younger members with the desire for capital preservation of older members with a mix of equities and fixed income investments.

In order to achieve the long term investment goals, the fund invests in assets that may have uncertain returns, such as Canadian equities, foreign equities and bonds. However, the Board of Trustees attempts to reduce the overall level of risk by:

- diversifying the asset classes, diversifying within each individual asset class and diversifying by manager style;
- establishing quality, quantity and diversification guidelines;
- retaining an investment consultant who monitors the investment performance of the fund and reports to the Board on investment manager related issues that may have an impact on fund performance;
- having management conduct monthly reviews of compliance of each investment manager with the quality and quantity guidelines contained in the policy;
- reviewing quarterly reports from investment managers on compliance with the Investment Policy throughout the reporting period; and
- establishing the following investment benchmarks and asset component ranges at market value:

Historical Investment Performance



	Minimum %	Benchmark	Maximum %
Canadian Equities	15	22	35
Foreign equities*	16	28	35
Total equities	**35**	**50**	**60**
Canadian bonds	35	47	60
Short term investments and cash	1	3	20

Mortgages, real estate, private placement equities, and certain other types of investments require prior approval of the Board of Trustees.

*Not to exceed the Income Tax limit of 30% of book value.

The primary investment performance objective is to earn a rate of return that exceeds the rate of return earned on a benchmark portfolio as outlined above. The benchmark portfolio uses the following indices to measure performance:

- Canadian equities: S & P/TSX CPMS Cap 10 Index;
- U.S. equities: S & P 500 US Stock Index (Cdn $);
- Non-North American equities: MSCI EAFE Index (Cdn $);
- Bonds: SC Universe Bond Index; and
- Short term investments: 91 day Canadian Treasury Bills.

Canadian and foreign equities are permitted. Equities are limited to those that are publicly traded on a recognized securities market and units of international pooled funds. The combined equity and debt holdings of a single corporation and its associated or affiliated companies shall not represent more than 10% of the total book value of the assets of the fund.

No one equity holding shall represent more than 10% of the market value of the Investment Manager's portfolio, more than 10% of the voting shares of a corporation or more than 10% of the available public float of such equity security. Investments in pooled funds should not exceed 10% of the market value of the fund.

Bonds must meet a minimum quality standard of “BBB” or equivalent at the time of purchase. “BBB” bonds may not be purchased if it would raise “BBB” holdings to more than 15% of the market value of the bond portfolio. Except for federal and provincial bonds, no more than 10% of the market value of an Investment Manager's bond portfolio may be invested in bonds of a single issuer and its related companies and no one bond holding shall represent more than 10% of the market value of the total outstanding for that bond issue. No more than 15% of the market value of the bond portfolio shall be invested in bonds denominated in currencies other than Canadian dollars.

Short-term investments must have a rating of “R-1” or equivalent as rated by a recognized bond rating agency.

Investment income and changes in the market value of investments are allocated annually to members in the Contribution Fund.

Annuity Fund

The Annuity Fund holds assets transferred from the Contribution Fund at retirement. Assets in the fund are used to provide annuity payments for life to retired members. Overall, the risk tolerance of the fund is low as the fund cannot tolerate loss of principal. Risk is addressed through an investment approach using high quality fixed income investments. Interest rate risk is addressed by matching estimated future cash payments with interest and principal payments from the portfolio. As such, the Annuity Fund is immunized against changes in interest rates that may cause temporary differences between the asset and liability values. The duration of the portfolio at cost is matched with the duration of the liabilities at cost on an annual basis. The matching should fall within a band of -.5 to +.5 years of the duration target.

Government of Canada, Provincial Government and Corporate bond issues, strip bonds, mortgages, mortgage backed securities and short term investments are permissible investments. Equities and derivatives are not permitted.

Bonds must have a credit rating of at least “BBB” or equivalent at the time of purchase. No more than 15% of the market value of the bond portfolio may be invested in bonds with a “BBB” rating. The minimum credit rating for corporate bonds and debentures is an “A” rating or equivalent at the time of purchase. No more than 10% of the market value of the bond portfolio may be invested in corporate bonds. Mortgage related investments must be government guaranteed or NHA approved. No more than 10% of the market value of the total portfolio may be invested in mortgages. Short term investments must have an “R-1” or equivalent credit rating at the time of purchase.

Actuaries' Opinion

Aon Consulting Inc. was retained by the Saskatchewan Pension Plan (the Plan) to perform actuarial valuations of the assets and liabilities of the Saskatchewan Pension Plan on a funding basis as at December 31, 2004. The valuation of the Plans' actuarial assets and liabilities were based on:

- Membership and asset data provided by the Saskatchewan Pension Plan as at December 31, 2004; and
- Assumptions about future events (economic and demographic) which were developed by Aon Consulting Inc.

While the actuarial assumptions used to estimate liabilities for the Plan are, in our opinion, reasonable, 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.

We have tested the data for reasonableness and consistency with prior valuations and in our opinion the data is sufficient and reliable for the purposes of the valuation. We are also of the opinion that the methods employed in the valuation and the assumptions used are, in aggregate, appropriate. Our opinions have been given, and our valuation has been performed in accordance with accepted actuarial practice.

SIGNED

Donald L. Ireland
Fellow, Canadian Institute of Actuaries
Fellow, Society of Actuaries
February 11, 2005

SIGNED

Paul Hebert
Consultant

Management and Auditors' Reports

Management's Responsibility for Financial Statements

The accompanying financial statements of the Saskatchewan Pension Plan, and all information in this annual report, have been prepared by Plan management which is responsible for the reliability, integrity and objectivity of the information provided. The statements have been prepared in accordance with Canadian generally accepted accounting principles and necessarily include some estimates based on management's judgment. Other financial information in this annual report is consistent with that provided in the financial statements.

The Plan's accounting system and related system of internal controls are designed to provide reasonable assurance that transactions are properly authorized and recorded, assets are safeguarded, and financial records are properly maintained to provide reliable information for use in the preparation of financial statements.

The Board of Trustees of the Plan is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board reviews and approves the financial statements.

These financial statements have been audited by the Plan's external auditor, Deloitte & Touche LLP, in accordance with Canadian generally accepted auditing standards, on behalf of the Members of the Legislative Assembly of Saskatchewan.

SIGNED	SIGNED
Earl R. Hanson Chairperson February 11, 2005	Katherine Strutt General Manager

---

To the Members of the Legislative Assembly of Saskatchewan

We have audited the statement of net assets available for benefits of the Saskatchewan Pension Plan as at December 31, 2004 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as at December 31, 2004 and the change in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

	SIGNED
Saskatoon, Canada February 11, 2005	Chartered Accountants

Saskatchewan Pension Plan
Statement of Net Assets Available for Benefits
As at December 31

	2004			2003		
	Contribution Fund	Annuity Fund	Total	Contribution Fund	Annuity Fund	Total
ASSETS						
Investments at market value (Note 3)	$158,846,212	$ -	$158,846,212	$148,093,797	$ -	$148,093,797
Investments at cost (Note 4)	-	65,868,341	65,868,341	-	61,375,223	61,375,223
	158,846,212	65,868,341	224,714,553	148,093,797	61,375,223	209,469,020
Cash	432,674	99,401	532,075	485,022	135,218	620,240
Accounts receivable	672,413	842,636	1,515,049	617,382	811,057	1,428,439
Prepaid (deferred) retirement transfers	686,040	(686,040)	-	466,623	(466,623)	-
Prepaid pension benefits	-	533,254	533,254	-	501,356	501,356
Capital assets (Note 9)	34,304	14,354	48,658	22,224	9,162	31,386
Total assets	160,671,643	66,671,946	227,343,589	149,685,048	62,365,393	212,050,441
LIABILITIES						
Administrative expenses payable	197,269	73,088	270,357	124,827	65,033	189,860
Deaths and other benefits payable	152,009	19,751	171,760	73,993	18,495	92,488
Deferred member contributions	2,364	-	2,364	7,600	-	7,600
Provision for annuity benefits (Note 5)	-	63,020,107	63,020,107	-	58,853,865	58,853,865
Total liabilities	351,642	63,112,946	63,464,588	206,420	58,937,393	59,143,813
NET ASSETS AVAILABLE FOR BENEFITS	$160,320,001	$ 3,559,000	$163,879,001	$149,478,628	$ 3,428,000	$152,906,628

ON BEHALF OF THE TRUSTEES:

SIGNED

Earl R. Hanson,
Chairperson

SIGNED

G. N. (Arnie) Arnott,
Board Member

(See Accompanying Notes)

Saskatchewan Pension Plan
Statement of Changes in Net Assets Available for Benefits
For the Year Ended December 31

	2004			2003		
	Contribution Fund	Annuity Fund	Total	Contribution Fund	Annuity Fund	Total
INCREASE IN ASSETS						
Investment income						
Interest and other income	$ 2,995,013	$ 4,668,562	$ 7,663,575	$ 3,352,852	$ 4,466,196	$ 7,819,048
Dividends	1,129,863	-	1,129,863	944,801	-	944,801
Pooled funds	932,032	-	932,032	738,425	-	738,425
	5,056,908	4,668,562	9,725,470	5,036,078	4,466,196	9,502,274
Change in market value of investments	11,378,510	-	11,378,510	11,694,703	-	11,694,703
Contributions	5,008,721	-	5,008,721	4,890,606	-	4,890,606
Transfers from Contribution Fund	-	6,729,544	6,729,544	-	6,113,222	6,113,222
	21,444,139	11,398,106	32,842,245	21,621,387	10,579,418	32,200,805
DECREASE IN ASSETS						
Annuities to pensioners	-	6,161,847	6,161,847	-	5,814,126	5,814,126
Change in provision for annuity benefits (Note 5)	-	4,166,242	4,166,242	-	3,382,654	3,382,654
Administrative expenses (Note 8)	1,298,793	543,467	1,842,260	1,288,037	530,967	1,819,004
Transfers to other plans	2,198,020	-	2,198,020	2,074,668	-	2,074,668
Transfers to Annuity Fund	6,729,544	-	6,729,544	6,113,222	-	6,113,222
Deaths and other benefits	376,409	395,550	771,959	319,735	330,671	650,406
	10,602,766	11,267,106	21,869,872	9,795,662	10,058,418	19,854,080
Change in net assets	10,841,373	131,000	10,972,373	11,825,725	521,000	12,346,725
NET ASSETS AVAILABLE FOR BENEFITS BEGINNING OF YEAR	149,478,628	3,428,000	152,906,628	137,652,903	2,907,000	140,559,903
NET ASSETS AVAILABLE FOR BENEFITS END OF YEAR	$160,320,001	$ 3,559,000	$163,879,001	$149,478,628	$ 3,428,000	$152,906,628

(See Accompanying Notes)

Saskatchewan Pension Plan
Notes to the Financial Statements
December 31, 2004

1. Description of Plan

(a) General

The Saskatchewan Pension Plan ("SPP" or the "Plan") was established by the Government of Saskatchewan to provide an opportunity for individuals with little or no access to private pensions or other retirement savings arrangements to save for their retirement. Details of the Plan are contained in *The Saskatchewan Pension Plan Act* (the Act) and Regulations.

(b) Funds Established

The following funds were established to administer the Plan:

(i) Contribution Fund (CF)

The CF is a Defined Contribution Fund established to accumulate all contributions and earnings for members who have not yet retired under the Plan. The Fund holds a balanced portfolio including equities, bonds and money market investments to maximize earnings while minimizing risk to members.

(ii) Annuity Fund (AF)

The AF was established to provide retirement annuities to the members of the Plan. The Fund holds investments in high quality long-term bonds. The Fund also holds money market investments for current pension needs and to pay administration costs. Equity investments are not permitted. The investment portfolio is structured to limit the effect on the Fund due to changes in the level of interest rates, to provide sufficient liquidity for payments to retirees when due, and to ensure long-term solvency.

(c) Contributions

Participation in the Contribution Fund is voluntary and members can contribute a maximum of $600 for each plan year. Contributions are vested immediately in the member's name and are locked into the Plan until retirement.

(d) Retirement

Members may retire under the Plan as early as age 55 or delay retirement as late as age 69. A member's accumulated account balance at retirement consists of member's contributions to the Plan together with the investment income and changes to the market value of the Plan's investments allocable to the member as of that date under the terms of the Plan. Upon retirement, members may purchase an annuity through the AF or they may transfer all or part of their account to a locked-in pension option with another financial institution.

(e) Income Tax

The Plan is a prescribed provincial plan under the Income Tax Act and is not subject to tax.

(f) Death Benefits

Should a member die prior to retirement, the funds in his or her account will be paid to the named beneficiary. If the beneficiary is the member's spouse, the funds may be transferred to the spouse's SPP account or to their own registered retirement savings plan.

Should a member die after retirement, death benefits are payable according to the type of annuity the member selected at retirement.

(g) Withdrawal Provisions

Members whose monthly pensions are less than the prescribed amount can withdraw their total pension in one lump sum instead of receiving monthly benefits. In 2004, the prescribed amount was $16.88.

2. Significant Accounting Policies

The financial statements are prepared in accordance with Canadian generally accepted accounting principles. The following policies are considered to be significant:

(a) Investment Transaction and Income Recognition

Investment transactions are accounted for on the trade date. Realized gains and losses and unrealized appreciation or depreciation of investments are determined by reference to the average cost of investments. The Plan follows the accrual method for the recording of income and expenses. Dividends are recorded on the date of record.

Saskatchewan Pension Plan
Notes to the Financial Statements
December 31, 2004

(b) Investments

(i) Contribution Fund

Investments comprising of bonds and equities are stated at market value which is determined by reference to closing year-end sale prices from recognized security dealers or in the absence of recorded sales by referring to closing year-end bid and ask prices. Money market investments, comprising of treasury bills and bankers acceptances, are recorded at cost, which approximates market value. Pooled funds are valued based on quoted market price of the underlying investments, normally the bid and ask price.

(ii) Annuity Fund

Investments in bonds are carried at amortized cost. Any premium or discount arising on purchase is amortized to income over the period to maturity. Gains and losses arising on sale are deferred and amortized to income over the remaining term to maturity of the security sold. Funds are transferred from the Contribution Fund at the date members purchase an annuity from the Annuity Fund for the purchase of long-term bonds. The combined duration of the bonds purchased is matched to the duration of the annuities purchased from the Annuity Fund. Under the policy of the Plan such bonds are generally held to maturity and therefore are not considered marketable. This is consistent with the basis of underwriting annuities, which are issued based on the prevailing interest rates at the time of retirement. Money market investments, comprising of treasury bills and bankers acceptances, are recorded at cost, which approximates market value.

(c) Foreign Currency Translation

Monetary items denominated in foreign currency are translated at the exchange rate in effect at year-end. Investments, revenue, and expenses are translated at the exchange rate in effect at the transaction date. Gains and losses arising on translation are included in the current period change in market value of investments.

(d) Fair Value

Accounts receivable, prepaid (deferred) retirement transfers, prepaid pension benefits, administrative expenses payable, death and other benefits payable and deferred member contributions are all short term in nature and as such, their carrying value approximates fair value.

Fair value of investments approximates market value.

(e) Capital Assets

Assets costing more than $25,000 are capitalized and amortized using the straight-line method at rates intended to amortize them over their estimated useful lives. The estimated useful life of computer equipment is three years. Assets costing less than the above threshold are expensed in the year of purchase.

3. Contribution Fund Investments

	2004	2003
	(at market value)	
Money market	$ 3,789,938	$ 2,514,849
Bonds	63,949,916	62,354,701
Equities	61,666,804	58,670,740
Pooled funds	29,439,554	24,553,507
	$158,846,212	$148,093,797

Saskatchewan Pension Plan
Notes to the Financial Statements
December 31, 2004

(a) Money Market

	2004			2003		
	Average Term (in days)	Effective Interest Rate (percent)	Market Value	Average Term (in days)	Effective Interest Rate (percent)	Market Value
Money market	51	2.5	$3,789,938	97	2.8	$2,514,849

Money market investments are defined as securities purchased with a maturity of one year or less. Only securities with an "R-1" rating, as rated by a recognized bond rating agency at the time of purchase, are permissible. Other than the Government of Canada, no single issuer represents more than 17.9% (2003: 5.5%) of the money market portfolio.

(b) Bonds

2004					
Years to Maturity	Federal	Provincial	Municipal	Corporate	Total
			(at market value)		
5 years or less	$16,112,491	$10,701,782	$ 432,506	$ 5,667,560	$32,914,339
Greater than 5 years	10,759,753	10,327,324	572,149	9,376,351	31,035,577
	$26,872,244	$21,029,106	$1,004,655	$15,043,911	$63,949,916

2003					
Years to Maturity	Federal	Provincial	Municipal	Corporate	Total
			(at market value)		
5 years or less	$14,580,222	$ 4,547,521	$ 503,942	$ 6,932,035	$26,563,720
Greater than 5 years	18,462,513	9,262,818	525,435	7,540,215	35,790,981
	$33,042,735	$13,810,339	$1,029,377	$14,472,250	$62,354,701

Bonds must meet a minimum quality standard of "BBB" or equivalent, as rated by a recognized credit rating service at the time of purchase. No more than 15% of the market value of the bond portfolio may be held in "BBB" issues. Other than the Government of Canada, no single issuer represents more than 14.3% (2003: 8.5%) of the overall bond portfolio. Fixed rate bonds have effective interest rates ranging between 2.2% and 7.9% (2003: 3.0% and 8.1%) and coupon rates ranging between 2.2% and 11.3% (2003: 3.0% and 11.3%).

Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

(c) Equities

	2004	2003
	(at market value)	
Canadian shares	$42,036,138	$40,338,598
United States shares	19,630,666	18,332,142
	$61,666,804	$58,670,740

No one holding represents more than 10% of the market value of the equity portfolio or more than 10% of the capital stock of the issuer. Equities include common shares that have no fixed maturity date and are generally not exposed to interest rate risk. The average dividend rate is 1.8% (2003: 1.7%).

Saskatchewan Pension Plan
Notes to the Financial Statements
December 31, 2004

(d) Pooled Funds

	2004	2003
	(at market value)	
Fixed income bond pooled fund	$ 7,460,599	$ 3,576,933
Non North American pooled fund	21,978,955	20,976,574
	$29,439,554	$24,553,507

The Plan limits its investments in a single pooled fund to not more than 10% of the market value of its investment portfolio. These funds have no fixed interest rate and their returns are based on the investment performance attained by the fund manager.

(e) Interest Rate, Credit, Foreign Currency, and Market Risk

Interest Rate Risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Plan's assets and liabilities. The value of some of the Plan's assets is affected by changes in nominal interest rates and equity markets.

The Fund holds approximately 47.3% (2003: 46.2%) of its investments in fixed income securities and 52.7% (2003: 53.8%) in equities at December 31, 2004.

Credit Risk

Credit risk arises from the potential for issuers of securities to default on their contractual obligation to the Plan. The Plan limits the credit risk by dealing with issuers that are considered to be high quality. At December 31, 2004 the Fund's maximum credit risk exposure relates to bonds, accrued income and short-term investments totaling $75,660,007 (2003: $69,002,662).

Foreign Currency Risk

Foreign currency exposure arises from the Plan's holding of foreign equities. At December 31, 2004, the Plan's foreign currency exposure was $41,609,620 (2003: $39,308,715).

Market Risk

The Plan invests in publicly traded equities and bonds available on domestic and foreign exchanges. These securities are affected by market changes and fluctuations.

To manage the above risks, the Board has adopted an Investment Policy whereby investments are strategically distributed among several classes of assets to reduce exposure to investment volatility. The Plan's Investment Policy also defines minimum quality rating for new investments and restricts the size of investment in any one issuer.

(f) Investment Performance

The following is a summary of the Contribution Fund investment performance before administration expenses:

	Annual Return		Rolling Four Year Return	
	2004	2003	2004	2003
Portfolio return	11.2%	12.4%	6.2%	6.0%
Benchmark return	8.7%	11.7%	3.3%	2.6%

The portfolio return is a time-weighted rate of return calculation. The benchmark return aggregates the actual market index returns according to the weightings specified in the Investment Policy.

Saskatchewan Pension Plan
Notes to the Financial Statements
December 31, 2004

4. Annuity Fund Investments

	2004	2003
	(at carrying value)	
Money market	$ 739,691	$ 773,000
Bonds	65,128,650	60,602,223
	$65,868,341	$61,375,223

(a) Money Market

	2004			2003		
	Average Term (in days)	Effective Interest Rate (percent)	Market Value	Average Term (in days)	Effective Interest Rate (percent)	Market Value
Money market	59	2.5	$739,691	29	2.6	$773,000

Money market investments are defined as securities purchased with a maturity of one year or less. Only securities with an "R-1" rating are permissible. Other than the Government of Canada, no single issuer represents more than 14.0% (2003: 0.0%) of the money market portfolio.

(b) Bonds

2004

Years to Maturity	Federal	Provincial	Corporate	Total	Par Value	Total Market
	(at carrying value)					
5 years or less	$ 2,160,371	$ 7,196,045	$ 0	$ 9,356,416	$12,121,000	$11,890,703
Greater than 5 years	9,804,803	46,378,014	803,061	56,985,878	58,839,000	66,825,480
Net unamortized discount	693,506	1,123,479	(13,531)	1,803,454		
Net deferred gain	(1,407,875)	(1,579,818)	(29,405)	(3,017,098)		
	$11,250,805	$53,117,720	$760,125	$65,128,650	$70,960,000	$78,716,183

2003

Years to Maturity	Federal	Provincial	Corporate	Total	Par Value	Total Market
	(at carrying value)					
5 years or less	$ 2,438,494	$ 5,267,368	$ 539,470	$ 8,245,332	$10,922,000	$10,650,433
Greater than 5 years	10,239,300	42,363,509	803,061	53,405,870	56,431,000	62,064,329
Net unamortized discount	1,040,331	1,042,776	2,280	2,085,387		
Net deferred gain	(1,336,834)	(1,753,347)	(44,185)	(3,134,366)		
	$12,381,291	$46,920,306	$1,300,626	$60,602,223	$67,353,000	$72,714,762

Government bonds must meet a minimum quality standard of "BBB" or equivalent as rated by a recognized credit rating service at the time of purchase. No more than 15% of the market value of the total bond portfolio may be held in "BBB" issues. Corporate bonds must meet a minimum quality standard of "A" at the time of purchase. Other than the Government of Canada, no single issuer represents more than 20.0% (2003: 20.8%) of the overall bond portfolio. Fixed rate bonds have yields to maturity ranging between 4.7% and 11.4% (2003: 4.9% and 11.4%). Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties. Included in investment income are gains and losses from bonds of $293,036 (2003: $263,079).

(c) Interest Rate and Credit Risk

Interest Rate Risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Plan's assets and liabilities. The value of some of the Plan's assets is affected by changes in nominal interest rates.

Credit Risk

Credit risk arises from the potential for issuers of securities to default on their contractual obligation to the Plan. The Plan limits the credit risk by dealing with issuers that are considered to be high quality. At December 31, 2004 the Fund's maximum credit risk exposure relates to bonds, accrued income and short-term investments totaling $66,710,972 (2003: $62,186,269).

To manage the above risk, the Board has adopted an Investment Policy that sets out the manner in which assets are invested. The Plan's Investment Policy defines the minimum quality rating for new investments and restricts the size of certain investments.

5. Provision for Annuity Benefits

The provision for annuity benefits is the actuarial present value of the future expected annuity benefit obligation to pensioners as annually determined by Aon Consulting Inc., an independent actuary. The actuarial valuation is a complex process requiring professional judgment on the part of the actuary and must ensure consistency with the asset valuation methodology. Measurement of this amount involves uncertainty, as estimates must be made of future interest rates and mortality rates.

The valuation method used to calculate the basic pension liability of retired members was the single premium actuarial cost method. An interest rate of 5.6% (2003: 6.0%) was used to determine the liabilities as of December 31, 2004. The 1994 Group Annuity Mortality Table rates were used for actuarial valuation.

Pension annuities are issued based on the prevailing interest rates at the dates of retirement of the annuitants. The duration of the investments purchased are matched with the duration of the liabilities. As such, the risk to the Plan relates to:

(i) any differences, which may be material, between the estimated and actual life expectancy of the annuitant group which may cause the Plan to have insufficient funds to meet the liability or more funds than required; and

(ii) reinvestment of assets at maturity at rates greater than or less than rates used in determining the annuities.

To manage this risk, the Plan uses investment managers and actuaries to assist in determining the investment strategy. Further, subsection 7(3.2) of the Act requires any amount by which the liability of the Annuity Fund exceeds the assets of the Annuity Fund to be a charge on and payable from the General Revenue Fund of the Province of Saskatchewan. At December 31, 2004 and 2003, the Annuity Fund was in a surplus position.

The annual change in the liability is recorded in the statement of changes in net assets. The principal components of the change in the provision for annuity benefits during the year are summarized below:

	2004	2003
Liability, beginning of year	$58,853,865	$55,471,211
Interest on liabilities and benefits paid	3,316,242	3,219,654
Increase in liability due to new annuities	5,953,000	5,215,000
Annuities paid	(6,443,000)	(6,145,000)
Mortality experience	144,000	334,000
Change in the interest rate assumption	1,196,000	759,000
	4,166,242	3,382,654
Liability, end of year	$63,020,107	$58,853,865

6. Earnings Allocation to Members

Investment income plus the current year change in market value less administration expenses are allocated annually to members in the Contribution Fund.

Saskatchewan Pension Plan
Notes to the Financial Statements
December 31, 2004

7. Related Party Transactions

The Plan conducts a portion of its transactions with Saskatchewan Crown-controlled Agencies, departments and corporations. These transactions are at the agreed upon exhange rates and are settled on normal trade terms. During the year, the Plan incurred operating expenses of approximately $221,416 (2003: $249,478) and at year end had $53,487 (2003: $41,503) in accounts payable with these related parties.

At December 31, 2004, the Plan has $4,508,254 market value (2003: $4,717,270) invested in Province of Saskatchewan bonds with varying maturity dates and interest rates. Interest income on these bonds during the year was approximately $278,770 (2003: $284,700).

8. Administrative Expenses

Administrative expenses are allocated to the Funds based on their weighted average asset base as prescribed by Regulation.

	2004	2003
Salaries and wages	$ 657,895	$ 651,125
Professional and technical services	549,811	528,347
Advertising and promotional	277,115	268,831
Computer expense	110,544	113,960
Facility and equipment rental (Note 10)	93,850	79,723
Telephone, freight and postage	49,704	43,930
Board honorariums and expenses	33,577	26,103
Amortization	26,681	15,693
Office supplies	20,705	36,137
Other contractual	11,888	12,492
Travel	10,490	13,432
Leasehold improvements	-	29,231
Total administrative expenses	$1,842,260	$1,819,004
Allocated as follows:		
Contribution Fund	$1,298,793	$1,288,037
Annuity Fund	543,467	530,967
	$1,842,260	$1,819,004

9. Capital Assets

Capital assets at cost less accumulated amortization:

			2004	2003
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	$91,032	$42,374	$48,658	$31,386

10. Lease Commitment

The Plan is committed to an operating lease for office space to September 30, 2006 with minimum annual lease payments of $68,550 due to a related party.

11. Comparative Figures

Certain comparative figures have been reclassified to conform with the financial presentation adopted in the current year.