Saskatchewan Pension Plan

Annual Report for the year ending December 31, 2005

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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, 2005.

Respectfully submitted,

SIGNED

Andrew Thomson
Minister Responsible
Saskatchewan Pension Plan

The Honourable Andrew Thomson
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, 2005.

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

The Webster's dictionary defines strategy as: a careful plan or method. This definition describes the approach that the Plan's Board and Management use in developing strategic direction for SPP: careful and methodical.

The Board and Management continually monitor the Plan's external environment and core competencies so that our company's strengths can be leveraged to provide appropriate service to our stakeholders. The mission at the core of the process is – 'provide people with the opportunities to make their financial lives better'. One of the key sources of information and input for developing strategic direction is existing Plan membership. SPP values the loyalty demonstrated and input provided by these people.

Governance provides a solid foundation for the strategic direction of the Plan and is a key function of the Plan's Board of Trustees. 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. The well documented governance approach used by SPP provides assurance to members that their investment in SPP is important to those charged with the administrative responsibility. Governance documents are reviewed annually.

Net assets under management at December 31, 2005 were $259 million. The expense ratio for 2005 was 0.77 per cent.

Goal-setting is a key element of SPP's strategic direction. While the goals are contemplated annually, they do not tend to change significantly from year to year and they are interdependent. Growing assets and growing membership affect each other and both are impacted by the third goal to manage SPP's business effectively and efficiently. The stability demonstrated by the organization in terms of investment performance, trustee commitment and long-serving staff have each contributed to the Plan's repeated ability to achieve its goals.

Progress in 2005

Goal 1: Growth of SPP membership

SPP actively markets to bring in new members under forty years of age. Targeting younger people allows the Plan to establish a long-term relationship with its customers which aids in the achievement of goal 2 - asset growth. The average age of the 1,272 new members in 2005 was 38 years (2004: 37 years). An effective marketing strategy coupled with the strong return in 2004 yielded excellent membership growth.

Goal 2: Growth of SPP assets

Actual contributions received from members during the year totalled $5.8 million, more than 16 per cent ahead of 2004 levels. In addition to new members, SPP also re-engaged dormant members and some of the contribution growth is attributed to that strategy.

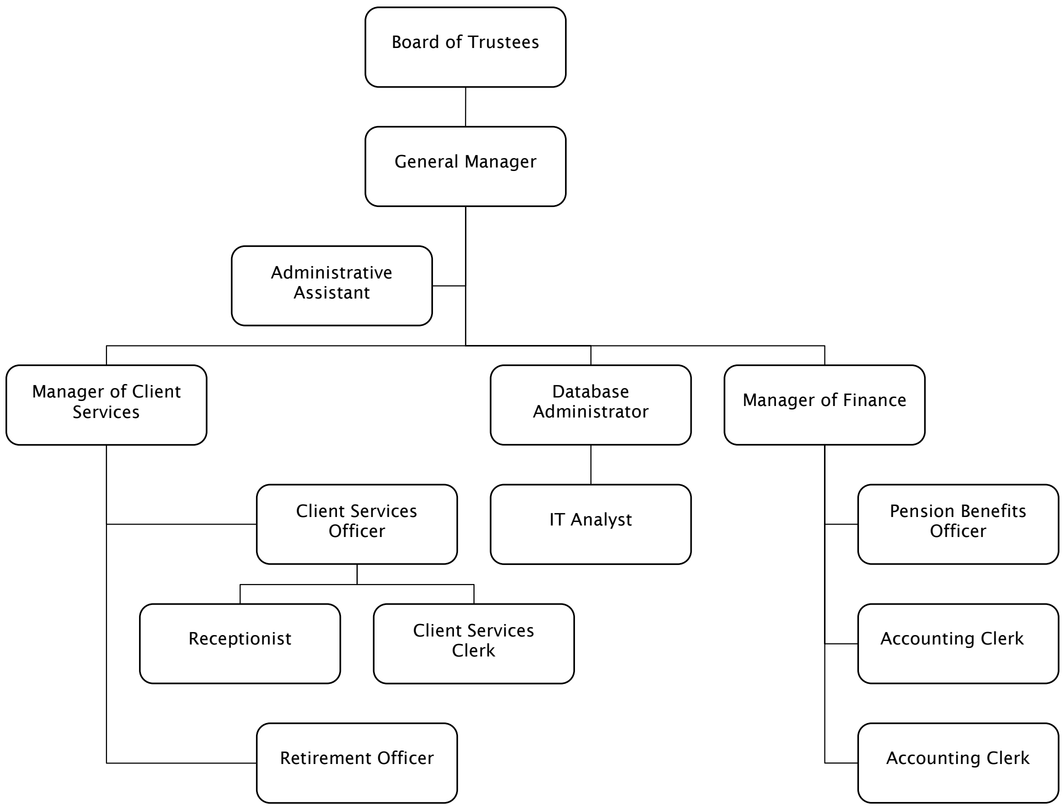
Goal 3: Manage SPP's business effectively and efficiently

SPP is committed to maintaining an expense ratio of one per cent or less. During 2005, the ratio was 0.77 per cent.

Looking Ahead

The Plan is anticipating another exciting year in 2006 as we mark the twentieth anniversary of SPP. Our goals remain the same as we continue to provide a long-term winning investment option for the people of Saskatchewan.

Organization Chart



Plan Statistics

Status	%
Active	63
Retired	37

Sex	%
Female	74
Male	26

Occupation	%
Homemaker	27
Farmer	10
Self Employed	10
Full time	19
Part time	25
Student	4
Other	5

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

New Member Profile

- 1,272 people joined SPP in 2005.
- 76 per cent identified themselves as full-time, part-time or self employed.
- Average age of new members in 2005 was 38 years.
- 54 per cent of the new members were women.

Retirement Profile

- 543 members retired in 2005.
- Average monthly pension for new retirees was $97.
- Highest monthly pension was $266.
- 11,461 people received 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, 2005, SPP had 30,429 members (2004: 29,732).

SPP has promotional literature available for individuals who want more detailed Plan information. This literature can be obtained by:

- visiting the Plan's website at www.saskpension.com;
- calling the toll-free line at 1-800-667-7153; or
- by e-mailing the Plan at: office@spp.gov.sk.ca.

Features of SPP

SPP is an easy-to-use pension plan that does not require an employer-employee relationship to participate.

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 2005 the toll-free line received over 12,500 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 2005, 9,724 members contributed to SPP with an average contribution of $594 (2004: 8,512; $587).

Members like the easy payment options available at SPP. They can use the Pre-Authorized Contribution 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 of bonds, equities and money markets. 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).

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 it. Employers simply deduct the contributions from their payroll or contribute on behalf of their employees on whatever schedule they choose. There is significant room for growth in this area.

Plan Operations

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 2005, pensions under $17.13 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 instruments.

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 Arnie Arnott; Board members are Gloria Blanchard, Bob Devrome, Linda Kezima, and Owen Sebastian. SPP would like to recognize the contribution of Earl Hanson who served on the Board from 1993 to 2005 and as Board chair from 1996 to 2005.

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 Dexia Investor Services Trust, 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.

Administrative expenses are paid from Plan earnings and SPP focuses on providing efficient service at a reasonable cost. Administrative expenses in 2005 were $1.9 million, or 0.77 per cent of the fund's net asset base.

SPP Board of Trustees

From left to right: Bob Devrome, Owen Sebastian, Gloria Blanchard, and Arnie Arnott. Missing: Linda Kezima

Plan Operations

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

Surging energy prices favoured oil and gas producer/refiners along with related industries in 2005. Energy was the top sector in all major equity markets. Canadian and US corporate earnings, led by energy, grew at solid double-digit rates. It was the third consecutive year of such growth. Core inflation was not a worry in 2005, despite the hurricane-inspired fears in the third quarter. This encouraged investors to add longer-dated bonds and prompted yields to fall. Finally, over the course of 2005 the Canadian dollar appreciated against the US dollar and other core currencies. While this helped attract foreign capital to Canada there were adverse consequences as the US and EAFE returns were reduced after translation into Canadian dollars. SPP's year end return was 10.1 per cent.

Members in the Contribution Fund earned 10.1% in 2005. This fund has a ten-year annualized return of 9.5%.

Assets of members who have not yet retired are held in the Contribution Fund. The purpose of the fund is to provide members with long-term capital appreciation by investing assets in a prudent, risk-controlled manner. 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.

The following is a summary of the Contribution Fund's performance by asset class in 2005. Information on the Annuity Fund can be found on page 15.

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
SC UBI	Scotia Capital Universe Bond Indice

	S&P/TSX 300 Weight Dec. 31, 2005 (%)	Sector Return (%)	Portfolio Weight Dec. 31, 2005 (%)
Energy	27.4	63.4	19.0
Utilities	1.5	38.3	-
S&P/TSX 300		**24.1**	
Financials	31.6	23.9	40.0
Industrials	5.5	17.9	14.0
Materials	15.1	15.3	6.8
Telecom Services	5.2	13.5	4.1
Consumer Discretionary	5.2	9.8	3.5
Consumer Staples	3.2	-1.1	8.3
Health Care	1.1	-2.6	-
Information Technology	4.2	-15.8	4.3
Total	100.0		100.0

Canadian Equities

The S&P/TSX Composite Index returned 24.1 per cent in the year, outpacing all the major developed markets and showing positive results in each quarter. Over the year only the Energy and Utilities sectors beat the index return with Information Technology, Health Care and Consumer Staples sectors having negative returns. The Energy Sector accounted for 60 per cent of the Index's performance. Base metals and other commodities also had a strong year as demand from Asia continued and new supplies were slow to develop. Commodity prices, notably oil, gas and copper, hit new records, boosting Canadian exports and lifting the stock market near to an all-time high. The Canadian dollar finished its fourth consecutive year of gains against the US dollar to $0.86 (U.S.). SPP's Canadian equity portfolio returned 25.2 per cent for the year.

The chart above shows the sector weighting of each portion of the SPP Canadian equity portfolio as at December 31, 2005. Similar information is provided for U.S. equities, non-North American equities and bonds.

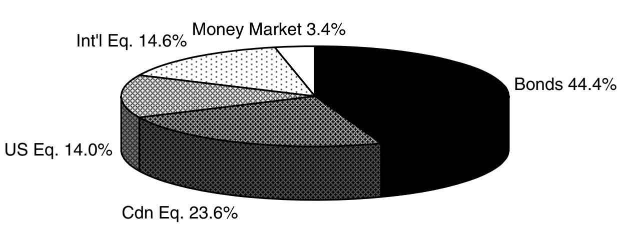
Investment Highlights

U.S. Equities

	S&P 500 Weight Dec. 31, 2005 (%)	Sector Return (C$) (%)	Portfolio Weight Dec. 31, 2005 (%)
Energy	9.4	25.9	9.5
Utilities	3.4	9.9	2.0
S&P 500		**2.3**	
Health Care	13.3	2.2	14.0
Financials	21.2	1.1	19.1
Materials	3.0	-0.4	4.3
Consumer Staples	9.5	-1.2	4.0
Information Technology	15.1	-2.1	13.5
Industrials	11.3	-2.2	14.7
Consumer Discretionary	10.8	-9.7	18.4
Telecom Services	3.0	-11.3	0.5
Total	100.0		100.0

The S&P 500 returned 4.9 per cent in US$ or 2.3 per cent in C$ as the Canadian dollar strengthened relative to the U.S. dollar. Energy was also the best performing sector in this index as oil prices hit record highs. Due to inflationary concerns, the Federal Reserve Bank increased interest rates eight times in the year for their thirteenth consecutive increase, although they indicated the tightening may be coming to an end. Since June 2004 the US Federal Reserve has taken interest rates to 4.25 per cent from a 42 year low of 1 percent. The continued rise in interest rates and rising gas prices have cut into spending, leaving the Consumer Discretionary sector the second worst performing sector in the index. Consumer confidence ended the year near where it began, after dropping dramatically after the hurricanes and then rebounding in the last quarter. SPP's U.S. equity portfolio earned 2.6 per cent.

Contribution Fund Portfolio at December 31, 2005



Non-North American Equities

Non-North American equities, measured by the MSCI EAFE Index, soared 29.0 per cent in local currency terms and 10.7 per cent in Canadian dollars. Riding the global growth in demand for commodities and energy, the Canadian dollar appreciated relative to the currencies of every nation in the EAFE index. Even the commodity driven Australian dollar depreciated versus the loonie. The level of appreciation ranged from 24.6 per cent versus the Swedish krona to 2.4 per cent versus the Hong Kong dollar. Japan was the leading index country, strongly outperforming other Pacific markets. In contrast to the Canadian and U.S. Equity markets, the Information Technology sector posted a positive return in non-North American equity markets in the year. SPP's non-North American equity portfolio earned 12.0 per cent.

Country	EAFE Weight Dec. 31, 2005 (%)	EAFE Return (C$) (%)	Portfolio Weight Dec. 31, 2005 (%)
Japan	25.6	22.4	17.6
Austria	0.4	21.5	0.9
Denmark	0.8	21.4	0.7
Norway	0.7	21.1	1.1
Finland	1.4	13.8	0.5
Switzerland	6.9	13.4	7.9
Greece	0.6	13.2	0.6
Australia	5.2	13.1	1.9
Singapore	0.8	11.5	2.2
Netherlands	3.4	11.0	3.2
EAFE		**10.7**	
Sweden	2.4	7.5	0.5
Germany	6.8	7.2	5.2
France	9.3	7.1	6.7
Belgium	1.1	6.3	0.8
Hong Kong	1.6	5.7	5.1
United Kingdom	23.9	4.7	24.5
Spain	3.7	1.8	3.0
Italy	3.8	-0.7	2.5
New Zealand	0.2	-0.8	-
Portugal	0.3	-4.3	-
Ireland	0.8	-4.7	3.0
Emerging Markets	0.3	-	9.6
Cash	-	-	2.5
Total	100.0		100.0

Investment Highlights

Fixed Income

The Canadian bond market, as measured by the Scotia Capital Universe Bond Index, gained 6.5 per cent in 2005. The Bank of Canada initiated a campaign to tighten the money supply in September. Rate increases of 0.25 per cent in September, October and December brought the overnight rate to 3.25 per cent. In addition, the Bank of Canada stated that further reductions in monetary stimulus would be required. Core inflation numbers through the year were tame, encouraging investors to believe that inflation will continue to be benign. SPP's bond portfolio earned 6.7 per cent.

	SC UBI Weight Dec. 31, 2005 (%)	SC UBI Return (%)	Portfolio Weight Dec. 31, 2005 (%)
Federal	44.5	5.7	51.7
Provincial	26.1	8.4	23.5
SC UBI		**6.5**	
Municipal	1.3	6.1	0.8
Corporate	28.1	6.0	24.0
Total	100.0		100.0

Contribution Fund Assets

Total assets in the contribution fund were $173.7 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.

Foreign Content Limit

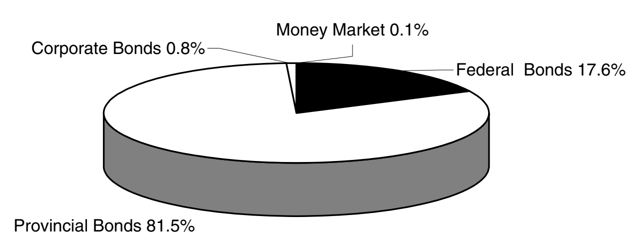
The 30 per cent foreign content limit applicable to RRSP's and registered pension plans (RPP's) was repealed in the 2005 Federal Budget. The purpose of the limit was to ensure that the bulk of tax assisted savings held in RRSP's and RPP's would be invested in Canada. There was a concern, however, that forcing retirement savers to hold mainly Canadian assets was increasing their risk and reducing their returns due to the small size and high concentration of Canadian investment markets. The SPP Board of Trustees will be reviewing the asset mix of the Contribution Fund on an ongoing basis to ensure the right mix for the Plan. No change was made in 2005.

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, 2005 were $85.7 million and there was an actuarial surplus of $4.0 million at that same date.

Bond interest rates remained low throughout the year and therefore annuity rates were also low, ranging between 2.9 per cent and 3.5 per cent for the year. The fund is managed by Greystone Managed Investments Inc. of Regina and the chart below shows the composition of the Annuity Fund assets as at December 31, 2005.

Annuity Fund Portfolio at December 31, 2005



Investment Policy Summary

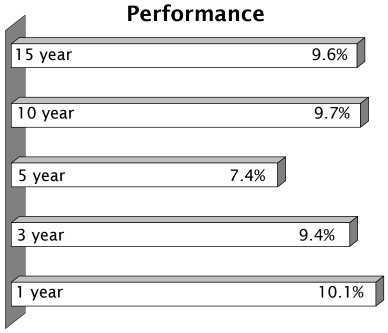
SPP has established two funds to hold the assets of the Plan: the Contribution Fund and Annuity Fund. The investments must be eligible investments as outlined in *The Pension Benefits Act* and Regulations, the *Income Tax Act* and Regulations, and all subsequent amendments.

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.

Historical Investment Performance



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:

	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 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 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. 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, 2005. 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, 2005; 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	SIGNED
Donald L. Ireland Fellow, Canadian Institute of Actuaries	Paul Hebert Consultant

February 10, 2006

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.

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, 2005 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, 2005 and the change in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

SIGNED

G. N. (Arnie) Arnott
Chairperson

February 10, 2006

SIGNED

Katherine Strutt
General Manager

SIGNED

Chartered Accountants
Saskatoon, Canada

February 10, 2006

Statement of Net Assets Available for Benefits

As at December 31

	2005			2004 (Restated)		
	Contribution Fund	Annuity Fund	Total	Contribution Fund	Annuity Fund	Total
ASSETS						
Investments at market value (Note 4 and 5)	$ 172,065,807	$ 84,577,699	$ 256,643,506	$ 158,846,212	$ 79,455,875	$ 238,302,087
Cash	493,386	592,169	1,085,555	432,674	99,401	532,075
Accounts receivable	640,259	861,106	1,501,365	672,413	842,636	1,515,049
Prepaid (deferred) retirement transfers	858,874	(858,874)	-	686,040	(686,040)	-
Prepaid pension benefits	-	558,125	558,125	-	533,254	533,254
Capital assets (Note 10)	12,983	5,331	18,314	34,304	14,354	48,658
Total assets	174,071,309	85,735,556	259,806,865	160,671,643	80,259,480	240,931,123
LIABILITIES						
Administrative expenses payable	288,724	42,463	331,187	197,269	73,088	270,357
Deaths and other benefits payable	90,419	38,335	128,754	152,009	19,751	171,760
Deferred member contributions	7,340	-	7,340	2,364	-	2,364
Provision for annuity benefits (Note 6)	-	81,689,758	81,689,758	-	76,607,641	76,607,641
Total liabilities	386,483	81,770,556	82,157,039	351,642	76,700,480	77,052,122
NET ASSETS AVAILABLE FOR BENEFITS	$ 173,684,826	$ 3,965,000	$ 177,649,826	$ 160,320,001	$ 3,559,000	$ 163,879,001

ON BEHALF OF THE TRUSTEES:

SIGNED

G. N. (Arnie) Arnott, Chairperson

SIGNED

Gloria Blanchard

(See Accompanying Notes)

Statement of Changes in Net Assets Available for Benefits

For the year ended December 31

	2005			2004 (Restated)		
	Contribution Fund	Annuity Fund	Total	Contribution Fund	Annuity Fund	Total
INCREASE IN ASSETS						
Investment income						
Interest and other income	$ 3,137,240	$ 4,261,018	$ 7,398,258	$ 2,995,013	$ 4,091,604	$ 7,086,617
Dividends	1,143,072	-	1,143,072	1,129,863	-	1,129,863
Pooled funds	1,468,560	-	1,468,560	932,032	-	932,032
	5,748,872	4,261,018	10,009,890	5,056,908	4,091,604	9,148,512
Change in market value of investments	11,780,369	2,724,648	14,505,017	11,378,510	2,051,952	13,430,462
Contributions	5,821,647	-	5,821,647	5,008,721	-	5,008,721
Transfers from Contribution Fund	-	5,896,950	5,896,950	-	6,729,544	6,729,544
	23,350,888	12,882,616	36,233,504	21,444,139	12,873,100	34,317,239
DECREASE IN ASSETS						
Annuities to pensioners	-	6,493,553	6,493,553	-	6,161,847	6,161,847
Change in provision for annuity benefits (Note 6)	-	5,082,117	5,082,117	-	5,641,236	5,641,236
Administrative expenses (Note 9)	1,366,087	560,965	1,927,052	1,298,793	543,467	1,842,260
Transfers to other plans	2,446,798	-	2,446,798	2,198,020	-	2,198,020
Transfers to Annuity Fund	5,896,950	-	5,896,950	6,729,544	-	6,729,544
Deaths and other benefits	276,228	339,981	616,209	376,409	395,550	771,959
	9,986,063	12,476,616	22,462,679	10,602,766	12,742,100	23,344,866
Change in net assets	13,364,825	406,000	13,770,825	10,841,373	131,000	10,972,373
NET ASSETS AVAILABLE FOR BENEFITS BEGINNING OF YEAR	160,320,001	3,559,000	163,879,001	149,478,628	3,428,000	152,906,628
NET ASSETS AVAILABLE FOR BENEFITS END OF YEAR	$ 173,684,826	$ 3,965,000	$ 177,649,826	$ 160,320,001	$ 3,559,000	$ 163,879,001

(See Accompanying Notes)

Notes to the Financial Statements

For the year ended December 31, 2005

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 2005, the prescribed amount was $17.13 (2004: $16.88).

2. Change in Accounting Policy

Effective January 1, 2005 the Plan adopted the accounting recommendations of the CICA Handbook Section 4100 "Pension Plans" for the investments in the Annuity Fund. Under this standard, investment assets are measured at fair value. Previously, investments in bonds were measured at amortized cost. Any premium or discount arising on purchase was amortized to income over the period to maturity. Gains and losses arising on sale were deferred and amortized to income over the remaining term to maturity of the security sold. This change in accounting policy has been applied retroactively and the 2004 financial statements have been restated. As a result, investment in bonds and the provision for annuity benefits have increased by $13,587,534, interest and other income decreased by $576,958, the change in market value of investments increased by $2,051,952 and the change in provision for annuity benefits has increased by $1,474,994.

3. 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.

(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 stated at market value as determined by reference to closing year-end sale prices from recognized security dealers. Funds are transferred from the Contribution Fund 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. 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 life. The estimated useful life of computer equipment is three years. Assets costing less than the above threshold are expensed in the year of purchase.

4. Contribution Fund Investments

	2005	2004
Money market	$ 5,881,596	$ 3,789,938
Bonds	67,753,341	63,949,916
Equities	64,663,977	61,666,804
Pooled funds	33,766,893	29,439,554
	$ 172,065,807	$ 158,846,212

(a) Money Market

	2005			2004		
	Average Term (in days)	Effective Interest Rate (percent)	Market Value	Average Term (in days)	Effective Interest Rate (percent)	Market Value
Money market	94	3.3	$ 5,881,596	51	2.5	$ 3,789,938

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 15.4% (2004: 17.9%) of the money market portfolio.

(b) Bonds

2005					
Years to maturity	Federal	Provincial	Municipal	Corporate	Total
5 years or less	$ 21,172,949	$ 2,880,005	$ -	$ 4,472,892	$ 28,525,846
Greater than 5 years	15,339,104	13,241,092	582,433	10,064,866	39,227,495
	$ 36,512,053	$ 16,121,097	$ 582,433	$ 14,537,758	$ 67,753,341

2004					
Years to maturity	Federal	Provincial	Municipal	Corporate	Total
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

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 9.7% (2004: 14.3%) of the overall bond portfolio. Fixed rate bonds have effective interest rates ranging between 2.0% and 5.8% (2004: 2.5% and 6.2% restated) and coupon rates ranging between 2.8% and 11.3% (2004: 2.2% 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

	2005	2004
Canadian shares	$ 40,523,364	$ 42,036,138
United States shares	24,140,613	19,630,666
	$ 64,663,977	$ 61,666,804

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% (2004: 1.8%).

(d) Pooled Funds

	2005	2004
Fixed income bond pooled fund	$ 8,703,274	$ 7,460,599
Non North American pooled fund	25,063,619	21,978,955
	$ 33,766,893	$ 29,439,554

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 47.8% (2004: 47.3%) of its investments in fixed income securities and 52.2% (2004: 52.7%) in equities at December 31, 2005.

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, 2005 the Fund's maximum credit risk exposure relates to bonds, accrued income and short-term investments totaling $82,847,114 (2004: $75,660,007).

Foreign Currency Risk

Foreign currency exposure arises from the Plan's holdings of foreign equities. At December 31, 2005, the Plan's foreign currency exposure was $49,204,232 (2004: $41,609,620).

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	
	2005	2004	2005	2004
Portfolio return	11.0%	11.2%	8.2%	6.2%
Benchmark return	10.2%	8.7%	6.3%	3.3%

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.

Notes to the Financial Statements

For the year ended December 31, 2005

5. Annuity Fund Investments

	2005	2004 (Restated)
Money Markets	$ 79,348	$ 739,691
Bonds	84,498,351	78,716,184
	$ 84,577,699	$ 79,455,875

(a) Money Market

	2005 Average Term (in days)	2005 Effective Interest Rate (percent)	2005 Market Value	2004 Average Term (in days)	2004 Effective Interest Rate (percent)	2004 Market Value
Money Markets	82	3.3	$ 79,348	59	2.5	$ 739,691

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 0.0% (2004: 14.0%) of the money market portfolio.

(b) Bonds

2005

Years to maturity	Federal	Provincial	Corporate	Total
5 years or less	$ 3,802,812	$ 10,501,509	$ -	$ 14,304,321
Greater than 5 years	11,088,734	58,410,681	694,615	70,194,030
	$ 14,891,546	$ 68,912,190	$ 694,615	$ 84,498,351

2004 (Restated)

Years to maturity	Federal	Provincial	Corporate	Total
5 years or less	$ 3,172,086	$ 8,718,617	$ -	$ 11,890,703
Greater than 5 years	11,774,228	54,240,133	811,120	66,825,481
	$ 14,946,314	$ 62,958,750	$ 811,120	$ 78,716,184

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 16.0% (2004: 18.7% restated) of the overall bond portfolio. Fixed rate bonds have effective interest rates ranging between 3.6% and 4.8% (2004: 2.5% and 5.6% restated). 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 is the change in market value from bonds of $777,969 (2004: $741,624 restated).

(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, 2005 the Fund's maximum credit risk exposure relates to bonds, accrued income and short-term investments totaling $85,438,788 (2004: $80,298,505 restated).

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.

6. 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 2.7% (2004: 3.1%) was used to determine the liabilities as of December 31, 2005. 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, 2005 and 2004, 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:

	2005	2004 (Restated)
Liability, beginning of year	$ 76,607,641	$ 70,966,405
Interest on liabilities and benefits paid	2,317,000	2,664,000
Increase in liability due to new annuities	5,879,000	7,013,000
Annuities paid	(6,631,000)	(6,443,000)
Mortality experience	475,117	168,000
Change in economic assumption	3,042,000	2,239,236
	5,082,117	5,641,236
Liability, end of year	$ 81,689,758	$ 76,607,641

Notes to the Financial Statements

For the year ended December 31, 2005

7. **Earnings Allocation to Members**
Investment income plus the current year change in the market value of investments less administration expenses are allocated annually to members in the Contribution Fund.

8. **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 exchange rates and are settled on normal trade terms. During the year, the Plan incurred operating expenses of approximately $246,852 (2004: $221,416) and at year end had $86,664 (2004: 53,487) in accounts payable with these related parties.

At December 31, 2005, the Plan has $4,718,910 market value (2004: $4,508,254) invested in Province of Saskatchewan bonds with varying maturity dates and interest rates. Interest income on these bonds during the year was approximately $274,533 (2004: $278,770).

9. **Administrative Expenses**
Administrative expenses are allocated to the Funds based on their weighted average asset base as prescribed by regulation.

	2005	2004
Salaries and wages	$ 638,355	$ 657,895
Professional and technical services	627,109	549,811
Advertising and promotional	266,804	277,115
Computer expense	132,692	110,544
Facility and equipment rental (Note 11)	96,946	93,850
Telephone, freight and postage	51,621	49,704
Board honorariums and expenses	34,693	33,577
Amortization	30,344	26,681
Office supplies	21,812	20,705
Travel	13,837	10,490
Other contractual	12,839	11,888
Total Administrative Expense	$ 1,927,052	$ 1,842,260
Allocated as Follows:		
Contribution fund	$ 1,366,087	$ 1,298,793
Annuity fund	560,965	543,467
	$ 1,927,052	$ 1,842,260

10. **Capital Assets**
Capital assets at cost less accumulated amortization:

			2005	2004
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	$91,033	$72,719	$18,314	$48,658

11. **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.

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