POWER CORPORATION SUPERANNUATION PLAN

ANNUAL REPORT

SaskPower
Powering our future®

2020

YEAR AT A GLANCE

- A pension benefit increase of 1.23% became effective April 1, 2020, representing 70% of the increase in the consumer price index (CPI) for Saskatchewan for the prior year.
- During 2020, the Plan paid $61 million in pension benefits.
- The Plan's actual return in 2020 was 2.4% compared to 10.8% for the benchmark return.
- Net assets available for benefits were $677 million at the end of 2020, a decrease of $46 million from 2019.
- The Plan ended 2020 with an actuarial accounting deficit of $230 million.

FACT

According to the 2020 Canadian Pension Fund Overview published by the Canadian Institutional Investment Network, the Plan is ranked 186th in Canada in net assets and is the 8th largest defined benefit pension plan in Saskatchewan.

MISSION STATEMENT

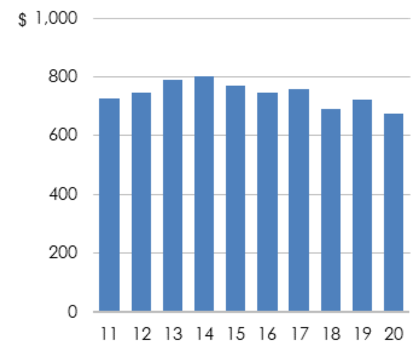
To provide continuous pension benefits for Plan members through:

- careful stewardship of assets and liabilities
- effective plan administration under current legislation

OVERVIEW

FINANCIAL HIGHLIGHTS

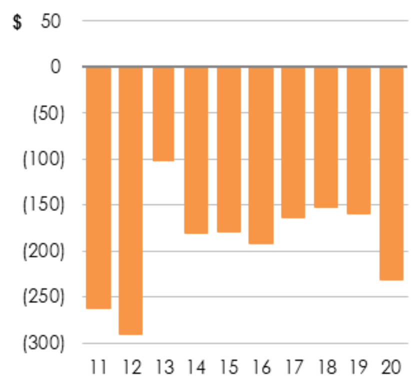
(in millions)		2020		2019
Investments				
Bonds	**$**	**256**	$	249
Equities		**347**		375
Real estate		**34**		64
Infrastructure		**40**		30
Receivables		**2**		3
Cash		**6**		8
Total assets		**685**		729
Liabilities		**8**		6
Net assets available for benefits		**677**		723
Pension obligations		**907**		882
Deficit	**$**	**(230)**	$	(159)



NET ASSETS AVAILABLE FOR BENEFITS
AS AT DECEMBER 31 (millions)

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

(in millions)		2020		2019
Increases:				
Investment income	**$**	**16**	$	24
Increase in fair value of investments		**3**		67
Increase in fair value of currency hedges		**-**		6
		19		97
Decreases:				
Decrease in fair value of currency hedges		**2**		-
Benefit payments		**61**		62
Administration expenses		**3**		3
		66		65
Changes in net assets	**$**	**(47)**	$	32



DEFICIT
AS AT DECEMBER 31 (millions)

INVESTMENT PERFORMANCE

Rates of return (%)	2020	2019
Plan rate of return	**2.4**	14.1
Plan benchmark	**10.8**	14.8
Four-year rolling average return	**6.9**	7.7
Four-year rolling benchmark	**8.7**	7.4

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CHAIR'S MESSAGE

It is my pleasure to submit the Power Corporation Superannuation Plan's 2020 Annual Report. The Report is intended to provide Plan members with relevant information about their pension plan.

During the year markets were challenged by the global pandemic declared by the World Health Organization in March 2020. The last pandemic occurred approximately a century ago therefore investment managers and strategies were challenged to navigate the markets as the year unfolded.

Low volatility equity is an investment strategy designed to protect value, especially in down markets. During strong markets, low volatility equity is expected to underperform. At December 31, 2019, the Plan's global low volatility equities returned 15% compared to the benchmark of 20%. Over long time periods, low volatility equity is expected to deliver better risk adjusted returns than other equity strategies. Therefore, when the down market started in March 2020, low volatility equity was expected to protect value for the Plan. However, that was not the case and the Plan's global low volatility equity ended 2020 with a negative 11.3% return compared to the benchmark of 14.2%, making it the largest contributor to the Plan's underperformance compared to the benchmark return in 2020. The Plan's actual return in 2020 was 2.4% compared to 10.8% for the benchmark return.

Given the Plan's maturity, a 35% allocation to low volatility equity is prudent given the asset class is designed to protect value and has a long history of meeting that objective. 2020 was an unusual year for markets. Changing the Plan's asset mix based on short-term tactical factors is not best practice in the pension industry. Strategic decisions are long-term and the data used to arrive at them is based on long time periods. However, circumstances can change therefore the Board is working with its investment consultant to evaluate the results of 2020 to determine whether its historical decisions require adjusting.

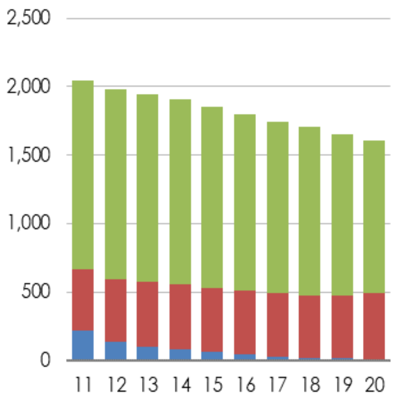
The Plan's underperformance in global low volatility equity during the year was offset by strong returns in bond and infrastructure assets, compared to the benchmark.

The estimated funding valuation at December 31, 2020 shows the Plan's funded status at 97% funded, with a funding deficit of $21 million. A funding valuation is performed every three years, with an estimated funding valuation prepared during the interim years. The last funding valuation (at December 31, 2019) showed a $1 million funding deficit. While the year had its challenges, the Plan continues to have a strong funded position. I am confident that the Board will continue its diligent effort over the coming year to assess the best positioning for the Plan moving forward.

I would like to thank management and my fellow board members for their contributions during this past year. I welcome Kathy Zwick to the Board and at the same time thank Brian Ross for his long service as a Board member, his contributions will be missed.

Grant Ring

Grant Ring
Chair
Power Corporation Superannuation Board



PLAN MEMBERSHIP (NUMBER OF MEMBERS)

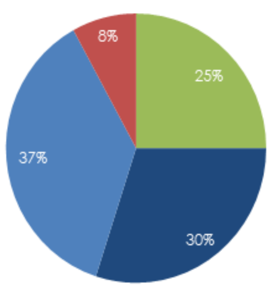
PLAN PROFILE

The Power Corporation Superannuation Plan (the Plan) originated with the passing of *The Power Commission Superannuation Act* in 1944. This defined benefit pension plan is governed by *The Power Corporation Superannuation Act* (the Act) and *The Superannuation (Supplementary Provisions) Act*. The Power Corporation Superannuation Board is responsible for administering the Act. The Plan comprises members who were hired prior to October 1, 1977, and who did not elect to transfer to the defined contribution plan before October 1, 1978.

In accordance with the Act, the Saskatchewan Power Corporation (SaskPower) shall pay each member's basic pension, regardless of the financial status of the Plan. The value of the basic pension depends on a number of factors, including salary and years of service at retirement. Pension options, such as joint life of 60%, 75% or 100% and enhanced bridging, require the consideration of additional factors, such as a member's age and the spouse's age.

The Plan holds a well-diversified portfolio of bonds, equity, real estate and infrastructure investments. Net assets totalled $677 million at year-end, a decrease of $46 million over the previous year. Of this total, approximately $300 million or 44% of assets was invested in Canadian: bonds, equities, and real estate while the remaining 56% was invested in bonds, equities and infrastructure in over 32 different countries throughout the world. This diversification helps to maximize the return on assets and minimize the impact of volatility in individual markets.

Both members and employers (SaskPower and designated institutions) have contributed to funding. Since inception, cumulative contributions total $329 million. Of this amount, cumulative employer contributions represent 64% or $211 million of the total and cumulative employee contributions total 36%, or $118 million. During the year, the Plan paid $61 million in benefits; $62 million was paid in 2019.



2020 PENSIONERS BY AGE

The SaskPower Board approved a Power Corporation Superannuation Plan funding policy. SaskPower uses this policy as a guideline to ensure that the Plan is adequately funded. At a minimum, an actuarial valuation for funding purposes is prepared every three years in accordance with the funding policy. In accordance with the policy, no contributions were made by SaskPower during 2020.

PLAN DEMOGRAPHICS

The Plan has been closed to new members since October 1, 1977. As a result, the number of active members has decreased steadily, primarily through retirement.

Approximately 99% of total members are receiving benefits. At December 31, 2020, there were 1,595 receiving a pension and 9 active members.

Included in the Plan's active membership are SaskPower employees, as well as employees of SaskEnergy and other corporations that have been designated institutions by the Lieutenant Governor in Council. Effective June 28, 2001, these institutions were required to make contributions at a rate recommended by the Plan actuary.

SIGNIFICANT COMMUNICATIONS AND EVENTS

ANNUAL BENEFIT STATEMENTS

During 2020, benefit statements were distributed for the year ending March 31, 2020, to all members. These statements reflect basic pension information and are distributed annually.

ANNUAL REPORT

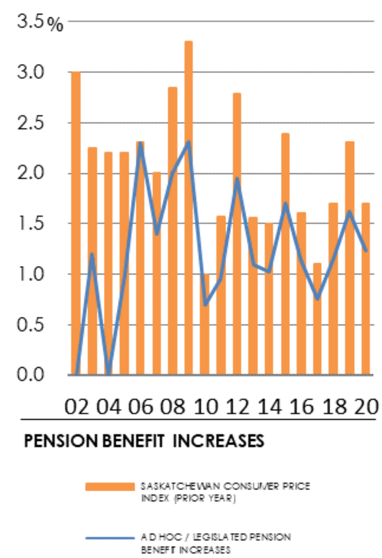
The Power Corporation Superannuation Plan Annual Report is made available to all members.

PENSION COMMUNICATIONS

A Pension Update newsletter is made available to all members annually.

INDEXATION

In the fall of 2006, the provincial government introduced legislation to set indexing for the Plan and other related provincial plans to 70% of the increase in the Saskatchewan consumer price index (CPI). Based on this methodology, an increase of 1.23% was granted in 2020.



PENSION BENEFIT INCREASES

INVESTMENT PERFORMANCE

The Plan's overall return in 2020 was 2.4% compared to the benchmark of 10.8%. The Plan's investment managers detracted value over a 10-year cycle with a 7.5% return versus the benchmark return of 8.5%.

FUNDED STATUS

The Plan's estimated funded deficit at the end of 2020 was $21 million. This is an increase of $20 million from the previous year end.

PLAN GOVERNANCE

AUTHORITY

The Power Corporation Superannuation Board is responsible for the overall governance and administration of the Plan. Board Members are appointed by the Lieutenant Governor in Council pursuant to *The Power Corporation Superannuation Act*. The mandate of the Board is to ensure the Plan is administered in accordance with the provisions of *The Power Corporation Superannuation Act*, *The Superannuation (Supplementary Provisions) Act* and *The Superannuation Acts Uniform Regulations*.

ROLE OF THE BOARD

The Board selects the Plan's actuary, custodian and investment managers, and sets the Plan's investment policy. The Board is also responsible for stewardship; overseeing the identification and management of principal risks; reviewing investment policies and the performance of investment managers; evaluating the pension obligation; adopting policies that provide effective communication and maintain the integrity of internal controls; and ensuring that the financial statements are audited by an independent external auditor.

The Board bases its decisions on comprehensive research and input from expert advisors and staff. The Board serves as a vital check to ensure the prudent management of the Plan's assets and monitors the Plan's overall administration to ensure that members, superannuates and survivors receive the benefits to which they are entitled by governing legislation.

BOARD COMPOSITION ***AS AT DECEMBER 31, 2020***	
Grant Ring Chair	Vice-president, Supply Chain, SaskPower
Rachelle Verret Morphy Vice-chair	Vice-president, Corporate and Regulatory Affairs, SaskPower
Troy King	Vice-president, Finance & Business Performance and CFO, SaskPower
Maria McCullough SaskEnergy representative	Vice-president, Human Resources and Environment, SaskEnergy
Ken Pielak Employee representative, Unifor	SaskEnergy (retired)
Kerry Friesen Superannuate Representative Power Pioneers Association Inc.	SaskPower (retired)

BOARD MEMBER TRAINING

Board Members bring forward the benefits associated with diverse experiences and a variety of professional attributes. However, it is important they are knowledgeable in pension related matters and that they remain current with respect to the many issues surrounding prudent management of a pension plan. To this end, annual training, development and maintenance for the Board (including travel and related costs) are paid for by the Plan. In 2020, Board Member costs totalled $1 thousand.

These costs do not include any Board Member training that may have been paid by SaskPower or any other institution. Board Members do not receive compensation for their services.

BOARD AND MANAGEMENT

Although the Board is responsible for overseeing the administration of the Plan, SaskPower is responsible for its day-to-day operations. SaskPower staff that work with the Plan are expected to act within Board-approved policies and directives.

On a monthly basis, SaskPower staff members are involved in monitoring the activities of the investment managers and reviewing the asset mix. SaskPower staff report to the Board on a regular basis, providing summarized information relating to financial transactions, investments, retirement benefit activity and overall performance.

INDEPENDENT EXPERTS

The Plan's Statement of Investment Policies and Procedures (SIP&P) provides guidelines for investment and monitoring assets. These principles were established to optimize the Plan's return on investments based on a given level of risk acceptable to the Board. The Board reviews the policies annually and changes are made as necessary. The policies outline a governance structure that allows the Board to retain the services of independent experts to assist it in fulfilling its responsibilities. The Board contracts independent actuarial and investment professionals, as well as a custodian.

The Board is required to meet at least quarterly with the investment advisor and annually with each of the investment managers to discuss past performance, strategies and expected future performance, as required by the SIP&P. As well, the Board reviews valuation results with the actuary. It also meets with the Plan's external auditor before and after the annual audit of the financial statements. In 2020, the Board met quarterly to review financial results, performance and retirement benefit activity.

INVESTMENT MANAGERS

Investment managers at December 31, 2020, were:

ASSET CLASS	INVESTEMENT MANAGER
Real estate	TD Asset Management Inc.
Bonds	Phillips, Hager & North Investment Management
Global equity	TD Asset Management Inc.
Global equity	Mawer Investment Management Limited
Infrastructure	Macquarie Capital Markets Canada Limited
Currency hedging	First Quadrant, L.P.

Investment managers are chosen based on their expertise and investment style within a particular asset class. The Board has a formal agreement with each investment manager that contains a mandate formulated to obtain an acceptable risk/return profile for each asset class. The investment managers report results to the Board on a regular basis.

INVESTMENT CONSULTANT

Aon is the Plan's investment consultant and provides an analytical review of the total fund, asset classes and investment managers' performance. This assessment is completed relative to peer and plan benchmarks, as well as each manager's style and risk characteristics. The investment advisor subsequently comments on the acceptability of performance, while advising the Board on overall investment policy and management that would best achieve objectives.

CUSTODIAN

RBC Investor & Treasury Services (RBC I&TS) serves as custodian. In this role, RBC I&TS holds custody of assets and is responsible for executing investment transactions while collecting income. The custodian also provides record-keeping services and monitors investments to ensure they are in compliance with both individual investment manager mandates and the SIP&P.

ACTUARY

Eckler prepares actuarial valuations for accounting purposes every three years. Also, every three years or as requested, Eckler provides valuations for funding purposes.

AUDITORS

An independent external auditor, Deloitte LLP, was contracted to perform the 2020 annual audit of the Plan's financial statements. The audit is conducted in accordance with Canadian generally accepted auditing standards. Deloitte LLP's professional opinion on the financial statements is found in its Independent Auditor's Report, attached to the financial statements. On an annual basis, the Provincial Auditor reviews the independent external auditor's work on the financial statements. The Independent Auditor's Report is found on page 12.

INVESTMENT HIGHLIGHTS

INVESTMENT STRATEGY

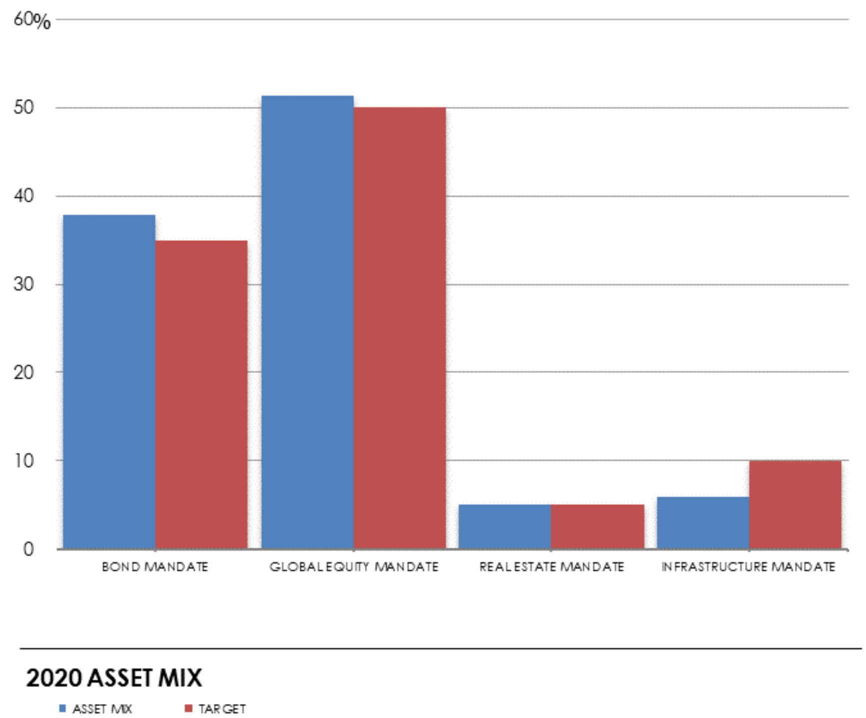
The investment objective of the Plan is to meet current and future pension payment obligations. Assets are invested in a diversified portfolio; the funds are placed with a number of investment managers for investment in a wide range of securities and asset classes. Managers are assigned specific mandates and their performance is monitored against pre-determined benchmarks. By holding a combination of different types of investments in a portfolio, the negative effect of fluctuations in the markets is minimized and the risk of having a large loss is reduced.

INVESTMENT POLICIES

The Plan's SIP&P is approved by the Power Corporation Superannuation Board, and is consistent with *The Power Corporation Superannuation Act, The Superannuation (Supplementary Provisions) Act,* and *The Superannuation Acts Uniform Regulations*. The SIP&P communicates a philosophy of diversification and protection of capital to investment managers with an objective of optimizing the Plan's risk/return relationship. To achieve acceptable levels of diversification and risk control, the SIP&P sets out guidelines for asset mix, individual equity/bond holdings, industrial sector holdings, bond ratings and bond duration.

At present, the target asset mix for the Plan is 50% equity, 35% bonds, 5% real estate and 10% infrastructure. The 50% target for equities is comprised of global mandates. The actual mix at any one time, however, may differ from this target due to fluctuations in the market. With the exception of cash and global equities, the Plan's asset mix at the end of the year was in compliance with the guidelines laid out in the SIP&P. In the Plan's SIP&P there is no separate allocation to cash. On December 30, 2020 the Plan's infrastructure investment manager distributed proceeds to the Plan for its share of an asset disposition. Global equities, as a percentage of total plan assets, has a minimum allocation of 13% and a maximum of 17%. At December 31, 2020, the global equity allocation was 17.3%. In January 2021 a withdrawal was made from global equity to return the balance to the target range.

The Plan's primary investment objective is to achieve a return higher than the asset mix benchmark return. A secondary objective is to achieve a long-term rate of return of the average increase in the CPI for Canada plus 4% per annum. These two objectives should be viewed as an average annual compound rate to be sought over one or more complete capital market cycles or over a four to 10-year period.



A benchmark return, based on the actual return of a market index, is identified in the SIP&P for each of the Plan's investment mandates. The market index used for each mandate is as follows:

- 50% FTSE TMX Universe Bond Index for the bond mandate;
- Morgan Stanley All Country World Index for the global equity mandate;
- Investment Property Databank for the real estate mandate; and
- Consumer Price Index plus acceptable return approach for the infrastructure mandate.

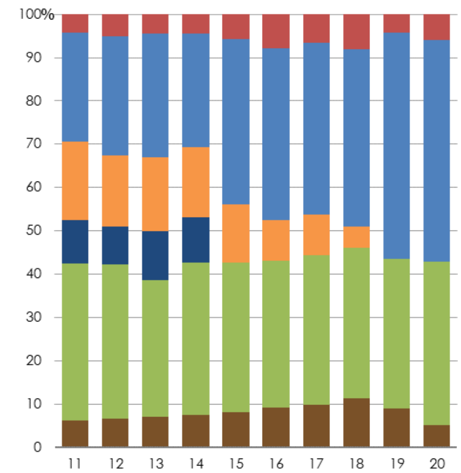
The Plan's benchmark return has been determined using the actual returns of the above noted market indices, weighted based on the target asset mix for the investment mandate for which each index serves as a benchmark. Monitoring performance is a key activity in supporting the investment objectives. The policies outline a benchmark portfolio comprising market index assets weighted at the same asset allocation of the Plan. While broadly diversified, the benchmark portfolio emphasizes equity over bond investments on the basis of substantial evidence that, over time, equities provide superior returns.

INVESTMENT PERFORMANCE

The Plan's performance is measured by comparing its return to the benchmark portfolio. During 2020, the Plan achieved a rate of return of 2.4%, compared to the benchmark return of 10.8%. The largest contributor to the Plan's underperformance in 2020, compared to the benchmark, was the Plan's 35% allocation to global low volatility equity (negative 11.3% compared to the benchmark of 14.2%). The Board is monitoring the global low volatility equity investment manager's performance and the underperformance of the asset class to determine if adjustments are in the Plan's best interests.

A common standard within the pension fund industry is to calculate performance on a four-year cycle and, where possible, on a 10-year cycle. These longer-term measures have greater relevance and lower volatility than a one-year measurement. Over the period 2017-2020, the Plan averaged an annual return of 6.9%, compared to the benchmark average of 8.7%. Over the past 10 years, the Plan has averaged an annual return of 7.5% compared to the benchmark of 8.5%.

While returns fluctuate from year to year, the underlying volatility of individual asset class returns is even more pronounced. Because the investment policies set out a diversification strategy designed to mitigate the effects of volatility, the Plan's returns have historically been more stable than the returns of any single asset class.



ASSET ALLOCATION

FINANCIAL HIGHLIGHTS

Overall, the Plan ended the year with net assets available for benefits totalling $677 million, a decrease of $46 million over the previous year. Over the past five years, the Plan had a decrease in net assets available for benefits of $95 million while paying out $309 million in benefits.

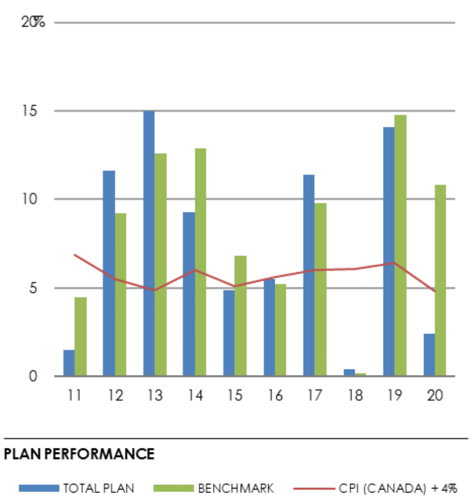
In 2020, the Plan paid $61 million in benefits and $3 million in administrative expenses. The administrative expenses represent fees paid to the investment managers, investment advisor and custodian for managing, monitoring and recording investments. These fees are based on the fair value of assets under management.

ACTUARIAL VALUATION

The obligation of any defined benefit pension plan is to fulfill its pension promise — a commitment to provide lifetime periodic payments to eligible retired members. Meeting this pledge within the Plan requires a sound financial base. To assess the financial status of the Plan, two methods are used to value the Plan:

- An actuarial valuation for funding purposes is prepared every three years. It determines the long-term financial health of the Plan. In preparing the funding valuation, the actuary projects the Plan's benefit costs (including inflation protection) and compares them to plan assets.

- An actuarial valuation for accounting purposes is performed every three years at September 30 and extrapolated to December 31 annually. The valuations and extrapolations are based on best estimates in accordance with Chartered Professional Accountants (CPA) Handbook Section 4600.



PLAN PERFORMANCE

ACTUARIAL METHODOLOGY AND ASSUMPTIONS

In completing an actuarial valuation, certain future events must be considered. A number of assumptions are made and future events are deemed to occur according to these assumptions. The actuarial assumptions are management's best estimate and attempt to arrive at the most likely outcome. The discount rate for the accounting valuation has been determined in accordance with International Financial Reporting Standards (IFRS) and International Accounting Standard (IAS) 19. The discount rate is prescribed to approximate the long-term high quality Canadian Corporate bond yield as at December 31, 2020.

The mortality assumption uses the 2014 Private Sector Mortality Table (CPM2014Priv) with 95% scaling for male mortality rates, 110% scaling factor for female mortality rates and two-dimensional generational mortality improvements using Improvement Scale B (CPM-B).

The actuarial assumptions are based on published five-year forecasts, investment policy and specific characteristics of the Plan membership, with extrapolation to the end of the benefit period. To value the liabilities, the actuary examines the Plan's demographics — the age, length of service and salary ranges of the membership. Information is processed on active members, pensioners, and surviving spouses who receive benefits. In addition, mortality, disability and termination of employment data are reviewed and factored into the valuation assumptions.

Actuarial assumptions	**2020**	2019
Discount rate, beginning of year	**3.00%**	3.80%
Discount rate, end of the year	**2.30%**	3.00%
Long-term inflation rate	**2.00%**	2.00%
Assumptions for benefit increases (% of Saskatchewan CPI)	**70.00%**	70.00%

ACTUARIAL VALUATION FOR FUNDING PURPOSES

The actuarial assumptions for the funding valuation are management's best estimate and attempt to arrive at the most likely outcome. With the exception of the discount rate, the assumptions for the funding valuation are consistent with the assumptions for the accounting valuation. The discount rate for the funding valuation is management's estimate of the return on the Plan's assets.

Actuarial funding surplus (deficit) (in millions)		**2019**		2017
Actuarial value of assets	**$**	**695**	$	738
Total liabilities		**696**		730
Surplus (deficit)	**$**	**(1)**	$	8

SaskPower has a funding policy which specifies the amount of funding into the Plan by SaskPower in a given year shall be a range. The minimum amount, when the Plan's funded status is 95% or greater, is zero and when the Plan's funded status is less than 95%, is the funding deficit divided by 10. The maximum amount of funding into the Plan is the funding deficit. Funding into the Plan in a given year shall take place within 3 months following the actuary finalizing its Funding Valuation for the Plan.

In interim years, to the three-year requirement for an actuarial valuation for funding purposes, an estimate is prepared. At December 31, 2020, the Plan's estimated funded status was 97% with a deficit of $21 million.

ACTUARIAL VALUATION FOR ACCOUNTING PURPOSES

In 2020, the Plan recognized an actuarial accounting deficit of $230 million (financial statement reporting), compared to a $159 million deficit at the previous year end. The pension obligations increased by $25 million primarily due to the discount rate decreasing from 3.0% at the beginning of the year to 2.3% at the end of the year.

Net assets available for benefits have decreased by $46 million.

Actuarial accounting deficit (in millions)		**2020**		2019
Net assets available for benefits	**$**	**677**	$	723
Pension obligations		**907**		882
Deficit	**$**	**(230)**	$	(159)

The following illustrates the sensitivity of some of the major assumptions used in preparing the December 31, 2020, actuarial extrapolation:

Retirement age: Assuming a retirement age equal to the earliest age that a member can retire with a reduced pension would not change the deficit.

Discount rate: An increase in the discount rate of 1.00% (from 2.30% to 3.30%) would decrease liabilities, reducing the plan deficit by $84 million.

Inflation: An inflation rate assumption that is 1.00% lower than the assumed rate (from 2.00% to 1.00%) would increase the deficit by $32 million. A lower inflation rate assumption reduces both the discount rate and future pension obligation increases.

Mortality: A change in the mortality assumption so that each member is one year older would decrease liabilities, reducing the plan deficit by $28 million.

REPORT OF MANAGEMENT

The financial statements of the Power Corporation Superannuation Plan (the Plan) are the responsibility of management and have been prepared in accordance with Canadian accounting standards for pension plans. The preparation of financial statements necessarily involves the use of estimates based on management's best judgment, particularly when transactions affecting the current period cannot be finalized with certainty until future periods. In management's opinion, the financial statements have been properly prepared within the framework of selected accounting policies summarized in the financial statements and incorporate, within reasonable limits of materiality, information available up to March 18, 2021. The financial information presented in the Management's Discussion & Analysis (MD&A) and elsewhere in this report is consistent with that in the financial statements.

Management maintains appropriate systems of internal control which provide reasonable assurance that the Plan's assets are safeguarded and appropriately accounted for, that financial records are relevant, reliable, and accurate and that transactions are executed in accordance with management's authorization. This system includes policies and procedures, as well as the appropriate delegation of authority and segregation of responsibilities. SaskPower's internal audit function independently evaluates the effectiveness of these controls.

The Power Corporation Superannuation Board is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. At regular meetings, the Board reviews audit, internal control and financial matters with management and the external auditors to satisfy itself that each is properly discharging its responsibilities. The annual report, financial statements and the Independent Auditor's Report have been reviewed and approved by the Board. The external auditor has full and open access to the Board with and without the presence of management.

The financial statements have been audited by Deloitte LLP, Chartered Professional Accountants, as appointed by the Lieutenant Governor in Council. The independent external auditor's responsibility is to express its opinion on whether the financial statements are fairly presented in all material respects in accordance with Canadian accounting standards for pension plans.

On behalf of management,

Jolene Beblow

Derek Bjornson
Director, Business Analysis & Treasury
SaskPower
May 14, 2021

Jolene Beblow
Manager, Pension Administration
SaskPower

INDEPENDENT AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

Opinion
We have audited the financial statements of the Power Corporation Superannuation Plan (the "Plan"), which comprise the statement of financial position as at December 31, 2020, and the statements of changes in net assets available for benefits and changes in pension obligations for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2020 and the changes in net assets available for benefits and changes in pension obligations for the year then ended in accordance with Canadian accounting standards for pension plans ("ASPP").

Basis for Opinion
We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Plan in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information
Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Annual Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASPP, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Plan or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Plan's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's

report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Plan's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Plan to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP

Chartered Professional Accountants
May 14, 2021
Regina, Saskatchewan

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands)

	2020	2019
Assets		
Investments *(Note 4)*		
Bonds	$ 255,738	$ 249,018
Equities	346,562	375,284
Real estate	34,199	63,973
Infrastructure	39,838	29,677
	676,337	717,952
Receivables		
Accrued investment income	470	79
Currency forwards *(Note 6)*	1,009	2,634
Other receivables	201	625
	1,680	3,338
Cash	6,398	7,857
Total assets	684,415	729,147
Liabilities		
Accounts payable and other liabilities	7,836	5,965
	7,836	5,965
Net assets available for benefits	$ 676,579	$ 723,182
Pension obligations and deficit		
Pension obligations	$ 906,955	$ 882,335
Deficit	(230,376)	(159,153)
Pension obligations and deficit	$ 676,579	$ 723,182

See accompanying notes

On behalf of the Board:

Grant Ring
Chair

Troy King
Member

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

For the year ended December 31
(in thousands)

		2020		2019
Increase in net assets				
Investment income				
Interest				
Short-term	**$**	**123**	$	491
Bonds		**7,529**		8,824
		7,652		9,315
Dividends		**8,857**		14,203
		16,509		23,518
Increase in fair value of investments		**2,596**		66,894
Increase in fair value of currency forwards		**-**		6,309
		2,596		73,203
Total increase in net assets		**19,105**		96,721
Decrease in net assets				
Decrease in fair value of currency forwards		**2,071**		-
Benefit payments		**60,512**		61,442
Refunds and transfers		**-**		76
Death benefit payments		**-**		186
Administrative expenses *(Note 10)*		**3,125**		3,392
Total decrease in net assets		**65,708**		65,096
Changes in net assets		**(46,603)**		31,625
Net assets available for benefits, beginning of year		**723,182**		691,557
Net assets available for benefits, end of year	**$**	**676,579**	$	723,182

See accompanying notes

STATEMENT OF CHANGES IN PENSION OBLIGATIONS

For the year ended December 31
(in thousands)

	2020	2019
Increase in pension obligations		
Interest on obligations	$ 25,327	$ 28,015
Actuarial losses	63,225	70,631
Experience losses	-	1,927
	88,552	100,573
Decrease in pension obligations		
Benefits paid	60,512	61,442
Refunds, transfers and death benefits	-	262
Experience gains	3,420	-
	63,932	61,704
Pension obligations, beginning of year	882,335	843,466
Pension obligations, end of year	$ 906,955	$ 882,335

See accompanying notes

NOTES TO THE FINANCIAL STATEMENTS

1. DESCRIPTION OF THE PLAN

The following description of the Power Corporation Superannuation Plan (the Plan) is a summary only. For more complete information, reference should be made to *The Power Corporation Superannuation Act, The Superannuation (Supplementary Provisions) Act* and *The Superannuation Acts Uniform Regulations*.

(a) General

The Plan is a defined benefit pension plan maintained by Saskatchewan Power Corporation (the Corporation; SaskPower) for those employees who were hired prior to October 1, 1977, and who did not elect to transfer to the Public Employees Pension Plan, a defined contribution plan, before October 1, 1978. The Plan is administered by a seven-person Board appointed by the Lieutenant Governor in Council.

(b) Funding policy

In accordance with *The Power Corporation Superannuation Act* (Act), the Corporation contributes such amounts as are necessary to fund the payments provided by the Plan. The Act does not require the Plan to be funded but states that SaskPower is responsible for funding any deficiency.

The Corporation hires an actuary to determine the funded status of the Plan every three years. The most recent funding valuation was completed for the year ended December 31, 2019.

The Corporation has a funding policy which specifies the amount of funding into the Plan by the Corporation in a given year shall be a range. The minimum amount, when the Plan's funded status is 95% or greater, is zero and when the Plan's funded status is less than 95%, is the funding deficit divided by 10. The maximum amount of funding into the Plan is the funding deficit. Funding into the Plan in a given year shall take place within 3 months following the actuary finalizing its Funding Valuation for the Plan.

(c) Employee and employer contributions

By December 31, 2013 all plan members reached the maximum pensionable years of service (35 years) and are no longer required to contribute to the Plan. As a result, employer current service contributions have also ceased.

(d) Retirement allowances

The Plan provides an unreduced retirement allowance at age 65 with at least five years pensionable service, at age 60 with at least 20 years pensionable service, or upon completion of 35 years pensionable service. Retirement allowances are based on 2% of the best five-year average annual salary multiplied by the years of pensionable service, up to a maximum of 35 years, subject to Canada Revenue Agency maximums. At age 65, the retirement allowance is reduced due to integration with the Canada Pension Plan for pensionable service from January 1, 1966.

Pension obligations are increased at a rate equal to 70% of the increase in the consumer price index (CPI) for Saskatchewan in the preceding calendar year. Increases are subject to the maximum increase permitted under the *Income Tax Act* (Canada).

(e) Survivors' allowances

Death benefits are available to a qualifying surviving spouse in the form of a survivor allowance. A qualifying surviving spouse is the spouse at the time of retirement. The retirement allowance paid to the spouse will be based upon the member's selection at retirement. Effective June 27, 2003, retired members who have had a change in marital status after retirement may apply to convert their retirement allowance to recognize their new spouse, provided certain criteria are met. The revised retirement allowance for the member and the retirement allowance paid to the new spouse will be based on data at the time of conversion.

Members may select the basic retirement allowance that will pass 60% of the retirement allowance to their spouse upon their death. For death prior to age 65, the surviving spouse will receive 60% of the deceased member's lifetime retirement allowance, plus 60% of the bridge benefit (the amount due to Canada Pension Plan integration payable until the member would have turned age 65).

Alternatively, members may select the 75% (effective April 1, 2002) or the 100% option. The spouse will receive 75% or 100% of the lifetime retirement allowance, plus 75% or 100% of the bridge benefit, until the member would have turned age 65.

On and after June 28, 2001, and in the event of pre-retirement death, the spouse will receive a retirement allowance based upon the member's credited service as of the date of death. The survivor's allowance would be based on the greater of the basic retirement allowance of 60% plus any children's payments, or 100% actuarial equivalent. The spouse would receive the applicable percentage of the members' lifetime pension plus the bridge benefit.

If no one is eligible to receive a survivor's allowance from the Plan, then the total of the member's contributions, plus legislated interest, less any retirement allowances paid up to the member's time of death, will be paid to the member's estate.

(f) Income taxes

The Plan is a registered pension plan as defined in the *Income Tax Act* (Canada) and is not subject to income taxes. Retirement allowances paid from the Plan are subject to source deductions that are withheld and remitted to the Canada Revenue Agency.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements for the year ended December 31, 2020, have been prepared in accordance with Canadian accounting standards for pension plans as outlined in Part IV of the Chartered Professional Accountants (CPA) Handbook Section 4600, *Pension Plans.* For matters not addressed in Section 4600, the Plan follows the requirements of International Financial Reporting Standards (IFRS). The financial statements were authorized for issue by the Board on March 18, 2021.

(b) Functional and presentations currency

These financial statements are presented in Canadian dollars, which is the Plan's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

(c) Use of estimates and judgments

The preparation of the Plan financial statements in conformity with Canadian accounting standards for pension plans requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of the pension obligation, the fair value of investments and investment related receivables and liabilities. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(d) Application of new and revised International Financial Reporting Standards ("IFRS")

i. Amendments to International Accounting Standard (IAS) 1 Presentation of financial statements ("IAS 1") and IAS 8 Accounting policies, changes in accounting estimates and errors ("IAS 8") in respect of the revised definition of material.

IAS 1 has been revised to incorporate a new definition of material and IAS 8 has been revised to refer to this new definition in IAS 1. In addition, the International Accounting Standards Board (IASB) amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term material to ensure consistency.

The adoption of amendments to IAS 1 and IAS 8 did not have a material impact on the Plan's financial statements.

ii. Amendments to references to the Conceptual Framework in IFRS.

The IASB decided to revise the Conceptual Framework because some important issues were not covered and some guidance was unclear or out of date. The revised Conceptual Framework, issued by the IASB includes: a new chapter on measurement; guidance on reporting financial performance; improved definitions of an asset and a liability, and guidance supporting these definitions; and clarifications in important areas, such as the role of stewardship, prudence and measurement uncertainty in financial reporting.

The adoption of a revised Conceptual Framework did not have a material impact on the Plan's financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Pension obligation

The value of accrued pension benefits payable in the future to members and changes therein during the year are based on an actuarial valuation prepared by an independent firm of actuaries. It uses the projected benefit method pro-rated on service and best estimate assumptions, as at the valuation date, of various economic and non-economic future events (Note 8). The triennial valuation for funding purposes is described in Note 1b above.

(b) Investment income

Investment income, which is recorded on an accrual basis, includes interest income, dividends, pooled-fund income and other income.

(c) Benefits

Payments of pensions, refunds and transfers out of the Plan are recorded on an accrual basis.

(d) Foreign currency translation

Transactions in foreign currencies are translated into Canadian dollars using the exchange rate in effect at the transaction date. Financial assets and liabilities denominated in foreign currency are adjusted to reflect exchange rates at the reporting date. Foreign currency translation gains and losses are included in the increase or decrease in fair value of investments.

(e) Financial instruments

Classification and measurement

The Plan classifies its financial instruments at fair value through profit or loss. All financial instruments are measured at fair value on initial recognition and recorded on the statement of financial position.

Financial instruments classified as fair value through profit or loss are subsequently measured at fair value, with changes in fair value recognized in the statement of changes in net assets available for benefits in increase/decrease in fair value of investments.

Derivative financial instruments, including forward exchange contracts are recognized as a financial asset or a financial liability on the trade date. All derivative financial instruments are classified as fair value through profit or loss and recorded at fair value on the statement of financial position as currency forwards. Subsequent changes in fair value of these derivative financial instruments are recognized in the statement of changes in net assets available for benefits as increase/decrease in fair value of currency forwards.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market at the measurement date.

The Plan has classified the fair value of its investments as level 1, 2, or 3 *(Note 5)* as defined below:

Level 1 – Fair values are determined using inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities to which the Plan has immediate access. Investments in equities are recorded at fair value which is determined using year-end market prices from recognized security dealers. Transactions in equities are recorded as of the trade date.

Level 2 – Fair values are determined using inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. To the extent possible, valuations reflect indicative secondary pricing for these securities. In all other circumstances, valuations are determined with reference to similar actively traded instruments.

Investments in bonds are recorded at fair value which is determined using year-end mid-market prices from a recognized security dealer. Transactions in bonds are recorded as of the trade date.

Derivative financial instruments, including forward exchange contracts, are valued at year-end quoted market prices.

Pooled funds are recorded based on the net asset value per unit of the underlying investments determined using year-end market prices.

Level 3 – Fair values are determined based on inputs for the asset or liability that are not based on observable market data.

Real estate is in a pooled fund and is recorded based on the net asset value per unit of the underlying investments determined using independent appraisals.

Infrastructure investments are valued by the infrastructure manager using one or more valuation techniques (e.g., the market approach or the income approach) for which sufficient and reliable data is available. The use of the market approach generally consists of using comparable market transactions, while the use of the income approach generally consists of the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market and/or other risk factors. The discounted cash flow model is the primary valuation method to estimate the fair value of the infrastructure investments.

4. INVESTMENTS

Schedule of investments

The primary investment objective is to ensure the Plan has sufficient assets to meet pension payments. The second objective is to optimize the risk/return relationship of the Plan. Due to the long-term horizon of the Plan's liabilities, the Plan takes a long-term investment perspective. The strategy employed to achieve these objectives is to invest the Plan's assets into a diversified pool of investments, such as global equities, money market securities, bonds and alternative investments. The Plan's target asset mix is 50% equity, 35% bonds, 5% real estate and 10% infrastructure. The schedule below summarizes the Plan's investments as at December 31:

(in thousands)	**2020**	2019
Bonds		
Government of Canada and federally-guaranteed	**$ 26,577**	$ 70,364
Provincial and provincially-guaranteed *(Note 9)*	**84,557**	76,103
Corporate (Canadian)	**75,991**	67,282
Corporate (Global)	**19,980**	2,029
Other	**48,633**	33,240
	255,738	249,018
Equities		
Global	**346,562**	375,284
	346,562	375,284
Alternatives		
Real estate	**34,199**	63,973
Infrastructure	**39,838**	29,677
	74,037	93,650
Total investments	**$ 676,337**	$ 717,952

Bonds

The Plan's bond portfolio consists of pooled fund investments and is invested as follows at December 31:

(in thousands)		2020			2019		
	Years to maturity		**Fair value**	**Average yield to maturity (%)**		Fair Value	Average yield to maturity (%)
Federal bonds	0-5	**$**	**16,906**	**0.40**	$	50,610	1.76
	6-10		**3,977**	**0.50**		12,508	1.97
	11-15		**600**	**0.70**		-	-
	16-20		**-**	**-**		-	-
	20+		**5,094**	**1.20**		7,246	1.76
			26,577			70,364	
Provincial bonds	0-5		**876**	**0.60**		4,096	2.12
	6-10		**26,620**	**1.10**		22,756	2.40
	11-15		**11,307**	**1.70**		12,829	2.82
	16-20		**7,094**	**1.80**		6,755	2.71
	20+		**38,660**	**2.10**		29,667	2.69
			84,557			76,103	
Canadian Corporate bonds	0-5		**21,958**	**1.70**		29,878	3.16
	6-10		**26,815**	**2.30**		12,201	3.85
	11-15		**8,034**	**2.20**		7,062	3.23
	16-20		**5,600**	**2.90**		4,834	3.37
	20+		**13,584**	**3.00**		13,307	3.44
			75,991			67,282	
Global Corporate bonds	0-5		**6,601**	**5.30**		727	5.89
	6-10		**9,562**	**4.50**		983	4.93
	11-15		**751**	**4.50**		45	4.72
	16-20		**263**	**3.70**		23	5.80
	20+		**2,803**	**4.80**		251	5.10
			19,980			2,029	
Other bonds[1]	0-5		**42,606**	**0.80**		30,060	3.66
	6-10		**3,852**	**3.50**		2,868	4.11
	11-15		**903**	**4.40**		106	5.86
	16-20		**433**	**4.90**		56	7.60
	20+		**839**	**6.40**		150	6.10
			48,633			33,240	
Total bonds		**$**	**255,738**		$	249,018	

1. Includes global sovereign bonds, cash, emerging market foreign exchange and mortgages

The bond portfolio breakdown is as follows at December 31:

(in thousands)	Bond Asset class	2020 Fair value	2020 % of Plan investments	2019 Fair value	2019 % of Plan investments
Phillips Hager & North Investment Management	Pooled	**$ 255,738**	**38.0**	$ 249,018	34.7
Total bond assets		**$ 255,738**	**38.0**	$ 249,018	34.7

Equities

The Plan's equity investments consist of pooled fund investments. Equity investments are generally limited to stocks that are publicly traded on a recognized stock exchange. In 2020, the Plan held $346,562 thousand in equities invested in global mandates (2019 - $375,284 thousand).

Dividends are generally declared on a quarterly basis. These investments have no fixed maturity date.

Pooled funds

A pooled fund contains funds from many individual investors that are aggregated for the purpose of investment. The unit price of the pooled fund is determined by the fair value of the assets in the fund. The equity pooled fund breakdown is as follows at December 31:

(in thousands)	Asset class	2020 Fair value	2020 % of Plan investments	2019 Fair value	2019 % of Plan investments
TD Asset Management Inc.	Global equity	**$ 229,820**	**34.1**	$ 259,171	36.1
Mawer Investment Management	Global equity	**116,742**	**17.3**	116,113	16.2
Total pooled fund equity assets		**$ 346,562**	**51.4**	$ 375,284	52.3

Real estate

The Plan's real estate portfolio is a Canadian-based pooled fund that is diversified through all parts of Canada and holds office, retail and industrial properties.

(in thousands)	Asset class	2020 Fair value	2020 % of Plan investments	2019 Fair value	2019 % of Plan investments
TD Asset Management Inc.	Real estate	**$ 34,199**	**5.1**	$ 63,973	8.9
Total real estate assets		**$ 34,199**	**5.1**	$ 63,973	8.9

Infrastructure

The Plan's infrastructure portfolio is comprised of four funds managed by Macquarie Capital Markets Canada Limited. One fund is based primarily in Europe, two are focused on the United States and Canada and the fourth is a global fund primarily focused on Europe and North

America. Information on each fund follows at December 31:

(in thousands)	2020								2019
	Capital commitment		**Cash contributed**		**Undrawn capital commitment**		**Undrawn capital commitment CDN**	**Fair value of investment CDN**	Fair value of investment CDN
MIP II Fund[1]	**$ 15,000**	**USD**	**$ 14,240**	**USD**	**$ 760**	**USD**	**$ 968**	**$ 4,965**	$ 9,552
MIP III Fund[2]	**15,000**	**USD**	**12,811**	**USD**	**2,189**	**USD**	**2,787**	**16,552**	18,808
MEIF III Fund[3]	**11,250**	**EUR**	**11,250**	**EUR**	**-**	**EUR**	**-**	**773**	1,317
MIGS II Fund[4]	**35,000**	**USD**	**12,495**	**USD**	**22,505**	**USD**	**28,653**	**17,548**	-
Total							**$ 32,408**	**$ 39,838**	$ 29,677

1. Macquarie Infrastructure Partners II
2. Macquarie Infrastructure Partners III
3. Macquarie European Infrastructure Fund III
4. Macquarie Infrastructure and Real Assets Infrastructure Global Solution II

The infrastructure manager requests capital from the Plan as needed. The Plan is contractually obligated to honour the manager's capital calls until the undrawn capital commitment is depleted. The Plan has adequate liquidity to honour its undrawn capital commitments.

The infrastructure manager uses internal valuation policies to establish a fair value for the underlying assets. The valuations are prepared quarterly and take into account various economic, operational and financial assumptions.

5. FINANCIAL INSTRUMENTS

The following table categorizes the Plan's financial instruments, by level (refer to *Note 3e*) as at December 31:

(in thousands)	2020				2019			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
Cash	**$ 6,398**	**$ -**	**$ -**	**$ 6,398**	$ 7,857	$ -	$ -	$ 7,857
Bonds	**-**	**255,738**	**-**	**255,738**	-	249,018	-	249,018
Equities	**-**	**346,562**	**-**	**346,562**	-	375,284	-	375,284
Real estate	**-**	**-**	**34,199**	**34,199**	-	-	63,973	63,973
Infrastructure	**-**	**-**	**39,838**	**39,838**	-	-	29,677	29,677
Currency forwards	**-**	**1,009**	**-**	**1,009**	-	2,634	-	2,634
Total	**$ 6,398**	**$ 603,309**	**$ 74,037**	**$ 683,744**	$ 7,857	$ 626,936	$ 93,650	$ 728,443

Note: Receivables, accounts payable and other liabilities are all short-term in nature and as such their carrying value approximates fair value.

During the year ended December 31, the reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

(in thousands)	2020			2019		
	Real estate	**Infrastructure**	**Total**	Real estate	Infrastructure	Total
Beginning balance, January 1	**$ 63,973**	**$ 29,677**	**$ 93,650**	$ 79,543	$ 56,342	$ 135,885
Purchases	**-**	**22,733**	**22,733**	-	-	-
Sales	**(29,000)**	**(7,239)**	**(36,239)**	(21,669)	(29,798)	(51,467)
Return of capital	**-**	**(6,847)**	**(6,847)**	-	(1,876)	(1,876)
Realized gains[1]	**17,065**	**13,037**	**30,102**	12,465	23,942	36,407
Change in unrealized gains (losses)	**(17,839)**	**(11,523)**	**(29,362)**	(6,366)	(18,933)	(25,299)
Ending balance, December 31	**$ 34,199**	**$ 39,838**	**$ 74,037**	$ 63,973	$ 29,677	$ 93,650

1. The infrastructure realized gains resulted from the sale of one of the assets in Macquarie Infrastructure Partners II and one of the assets in Macquarie Infrastructure Partners II (MIP II) by the Limited Partner.

6. CURRENCY FORWARDS

The Plan has entered into foreign exchange forward contracts to hedge some of its foreign currency exposure in global equity and infrastructure. Foreign exchange forward contracts are obligations in which two counterparties agree to exchange one currency for another at a specified exchange rate for settlement on a predetermined date in the future.

The Plan's objective for the active currency manager is to mitigate the impact of a change in foreign exchange rates on the Plan. The Plan updates its managed portfolio monthly by communicating a minimum of 85% of the Plan's total foreign currency exposure to the currency manager. The Board has approved a benchmark hedge ratio of 50% of the managed portfolio, although the manager has the discretion to hedge between 0% and 100% of the managed portfolio.

At December 31, 2020, the Plan's total foreign currency exposure, before currency forwards, was $350,638 thousand (2019 – $336,886 thousand). Based on the forward exchange rates at December 31, 2020, the forward contracts fair value results in an unrealized gain of $1,009 thousand (2019 – unrealized gain of $2,634 thousand). All contracts at December 31, 2020, have a maturity date of March 17, 2021.

The following summarizes the Plan's use of foreign exchange forward contracts within the currency hedging program as at December 31:

(in thousands)	2020			2019		
	Notional value	**Fair value gain (loss)**	**Managed portfolio net exposure %**	Notional value	Fair value gain (loss)	Managed portfolio net exposure %
United States dollar	**$ 60,857**	**$ 1,055**	**63.2**	$ 92,415	$ 2,143	44.0
Euro	**9,015**	**1**	**66.3**	2,480	23	89.9
British pound sterling	**10,640**	**(62)**	**48.7**	14,608	101	32.7
Japanese yen	**8,150**	**21**	**71.2**	9,494	274	67.0
Singapore dollar	**-**	**-**	**-**	4,837	48	67.6
Swiss franc	**12,797**	**(6)**	**53.4**	5,355	45	64.7
Total	**$ 101,459**	**$ 1,009**		$ 129,189	$ 2,634	

Notional value represents the contractual amount to which a rate or price is applied in order to calculate the exchange of cash flows and is therefore not recorded in the financial statements. Net exposure is the percentage of investments denominated in foreign currency that are not economically hedged through forward exchange contracts.

7. FINANCIAL RISK MANAGEMENT

(a) Market risk

The Plan invests in publicly traded equities and bonds available on domestic and foreign exchanges. The value of these securities is affected by market changes and fluctuations. The Plan manages market risk by diversifying its investments in both domestic and foreign markets and through the establishment and review of asset mix ranges and limits for various investments.

The global pandemic declared by the World Health Organization on March 11, 2020 due to the outbreak of COVID-19 has cast uncertainty on the estimates, assumptions, and critical judgements exercised by investment managers. Although the development of successful vaccine candidates towards the end of 2020 signals a turning point in the pandemic, ongoing delays in the deployment of these vaccine and continuing public health restrictions indicate that the pandemic will continue to negatively impact the global economy for the foreseeable future.

<u>Interest rate risk</u>

Interest rate risk refers to the adverse impact that interest rate changes have on the Plan's investment returns and financial position. On the investment side, when interest rates fall the fair value of bonds rise, while the yields on new investments in bonds fall.

As at December 31, 2020, had prevailing interest rates increased or decreased by 1.0%, assuming a parallel shift in the yield curve and all other variables held constant, the fair value of the Plan's bond holdings would have decreased or increased (respectively) by approximately 8.2%, or $20,940 thousand (2019 – 7.7%, or $19,274 thousand). The bond holdings' sensitivity to interest rate fluctuations was estimated using the weighted average duration of the bond holdings. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

<u>Foreign currency risk</u>

Foreign currency exposure arises from the Plan holding assets denominated in currencies other than the Canadian dollar. Fluctuations in the relative value of the Canadian dollar against these foreign currencies result in a positive or negative effect on the fair value of the Plan's net assets.

To manage the Plan's foreign currency risk, in 2009 the Board approved currency management to manage a portion of the Plan's exposure to changes in the value of foreign currencies. Currency exposure management began in the first quarter of 2010 (refer to *Note 6*).

At December 31, the Plan's foreign currency exposure expressed in equivalent Canadian dollars and excluding the impact of currency forwards is as follows:

(in thousands)	**2020**		2019	
	Fair value	**% of Plan assets**	Fair value	% of Plan assets
Global	**$ 295,098**	**43.1**	$ 300,273	41.2
Infrastructure	**39,634**	**5.8**	29,267	4.0
Core plus bonds	**15,906**	**2.3**	7,346	1.0
Total foreign currency exposure	**$ 350,638**	**51.2**	$ 336,886	46.2

At December 31, the foreign currency exposure in the Plan, in Canadian dollars, can be further broken down as follows:

(in thousands)	2020			2019		
	Exposure prior to hedging	**Currency forwards**	**Net exposure**	Exposure prior to hedging	Currency forwards	Net exposure
United States dollar	**$ 168,067**	**$ (60,857)**	**$ 107,210**	$ 165,114	$ (92,415)	$ 72,699
Euro	**26,751**	**(9,015)**	**17,736**	24,514	(2,480)	22,034
British pound sterling	**20,576**	**(10,640)**	**9,936**	21,714	(14,608)	7,106
Japanese yen	**28,260**	**(8,150)**	**20,110**	28,794	(9,494)	19,300
Singapore dollar	**-**	**-**	**-**	14,927	(4,837)	10,090
Swiss franc	**27,444**	**(12,797)**	**14,647**	15,186	(5,355)	9,831
Other	**79,540**	**-**	**79,540**	66,637	-	66,637
Total	**$ 350,638**	**$(101,459)**	**$ 249,179**	$ 336,886	$(129,189)	$ 207,697

As at December 31, including the impact of currency forwards, assuming the Canadian dollar appreciated or depreciated by 10% compared to the following foreign currencies, the fair value of the Plan's net assets would have decreased or increased (respectively) by the following amounts (assuming all other variables held constant):

(in thousands)	Change in value of Canadian dollar		**2020**		2019
United States dollar	+/- 10%	**+/-**	**$ 10,721**	+/-	$ 7,270
Euro	+/- 10%	**+/-**	**1,774**	+/-	2,203
British pound sterling	+/- 10%	**+/-**	**993**	+/-	711
Japanese yen	+/- 10%	**+/-**	**2,011**	+/-	1,930
Singapore dollar	+/- 10%	**+/-**	**-**	+/-	1,009
Swiss franc	+/- 10%	**+/-**	**1,465**	+/-	983
Other	+/- 10%	**+/-**	**7,954**	+/-	6,664
Total fair value impact		**+/-**	**$ 24,918**	+/-	$ 20,770

Equity price risk
The Plan is exposed to changes in equity prices in Canadian and global markets. Equities comprise 51% (2019 – 52%) of the carrying value of the Plan's total investments. Individual stock holdings are diversified by geography, industry type and corporate entity.

Had equity values at December 31, increased or decreased (respectively) by 10% assuming all other variables held constant, the total fair value impact on equities would have been a $34,656 thousand increase or decrease (2019 - $37,528 thousand increase or decrease). Due to active management, the Plan's portfolio does not correlate directly to any market indices.

Real estate and infrastructure price risk
Risk in the real estate portfolio is managed through diversification across types and locations. Adverse impacts in any one segment of the market or geographic location are minimized by having holdings diversified across property type, geographic location and investment size. Risk in the infrastructure portfolio is also managed through diversification across types and locations.

(b) Credit risk
Credit risk arises from the potential for a debtor or for a counterparty to default on its contractual obligation to the Plan. The Plan limits the credit risk by diversifying its fixed income investment portfolio and dealing with counterparties that are considered to be high quality.

The credit ratings used to describe these securities are based on the Dominion Bond Rating Service or other recognized rating agencies.

The maximum credit risk to which the Plan is exposed at December 31, is limited to the carrying value of the financial assets summarized as follows:

(in thousands)		**2020**		2019
		Carrying value		Carrying value
Bonds		**255,738**		249,018
Receivables		**1,680**		3,338
Cash		**6,398**		7,857
Total credit risk	**$**	**263,816**	$	260,213

Credit risk for bonds and short-term investments is managed through the investment policy that limits the majority of debt instruments to those of high credit quality (minimum rating for short-term investments is R1) along with limits to the maximum notional amount of exposure with respect to any one issuer. Phillips, Hager & North Investment Management manages the Plan's core plus pooled fund which allows a portion of the pooled fund to invest in unrated debt instruments. Credit exposure and counterparty ratings in the pooled fund are monitored daily.

Phillips, Hager & North Investment Management invests primarily in bonds that are investment grade (minimum credit rating of BBB) as rated by a recognized rating agency which reflects a high likelihood of repayment, (86.7% of the pooled fund at December 31, 2020). Phillips, Hager & North Investment Management's investment policy for the Core Plus Bond Fund specifies: 25% as the maximum that is to be invested in BB+ and below (non-investment grade) credit quality; 5% as the maximum that is to be invested in CCC+ and below credit quality and 5% is the maximum that is to be invested in unrated credit quality. At December 31, the debt rating on the Plan's bonds is as follows:

(in thousands)	**2020**			2019		
Debt rating		**Fair value**	**% of bond portfolio**		Fair value	% of bond portfolio
AA or higher	**$**	**135,106**	**52.8**	$	158,438	63.6
A		**45,752**	**17.9**		37,605	15.1
BBB		**40,841**	**16.0**		29,522	11.9
BB & Below		**22,505**	**8.8**		2,696	1.1
Unrated		**11,534**	**4.5**		20,757	8.3
Total bonds	**$**	**255,738**	**100.0**	$	249,018	100.0

Receivables are primarily made up of accrued investment income and investment disposal proceeds. Accrued investment income is received on the next scheduled payment date, generally either annually or semi-annually. Proceeds of investment disposals are generally received within two days.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting its financial commitments as they become due or can do so only at excessive cost. The Plan manages liquidity risk by maintaining adequate cash and short-term investments and monitoring actual and forecasted cash flows to support the Plan's operating needs.

8. PENSION OBLIGATIONS

The present value of pension obligations is determined using the projected benefit actuarial cost method prorated on services and reflects management's best estimates of inflation, future pension indexing and mortality. The valuation for accounting purposes was prepared as at September 30, 2019 by Eckler Ltd. and extrapolated to December 31, 2020. The effective date of the next valuation for accounting purposes will be September 30, 2022.

The actuarial assumptions used in determining the value of pension obligations may change from year to year depending on current and long-term market conditions. The actuarial assumptions are based on management's expectations, independent actuarial advice and guidance provided by IFRS. The following is a summary of the actuarial assumptions:

	2020	2019
Discount rate, beginning of year	**3.00%**	3.80%
Discount rate, end of the year	**2.30%**	3.00%
Long-term inflation rate	**2.00%**	2.00%
Assumptions for benefit increases (% of CPI)	**70.00%**	70.00%

The salary increase assumption is no longer necessary as all active members at the valuation date are assumed to retire immediately given their age and service levels.

The discount rate was based on the Fiera curve for high-quality Canadian corporate bonds as at December 31, 2020 with cash flows that resemble those of the expected benefit payments.

The mortality assumption used the 2014 Private Sector Mortality Table (CPM2014Priv) with 95% scaling factor for male mortality rates, 110% scaling factor for female mortality rates and two-dimensional generational mortality improvements using Improvement Scale B (CPM-B).

The actuarial present value of pension obligations is deducted from the net assets available for benefits to calculate the actuarial deficit for accounting purposes.

The following illustrates the sensitivity of some of the major assumptions used in preparing the December 31, 2020, actuarial extrapolation:

Retirement age: Assuming a retirement age equal to the earliest age that a member can retire with a reduced pension would not change the deficit.

Discount rate: An increase in the discount rate of 1.00% (from 2.30% to 3.30%) would decrease liabilities, reducing the plan deficit by $84 million.

Inflation: An inflation rate assumption that is 1.00% lower than the assumed rate (from 2.00% to 1.00%) would increase the deficit by $32 million. A lower inflation rate assumption reduces both the discount rate and future pension obligation increases.

Mortality: A change in the mortality assumption so that each member is one year older would decrease liabilities, reducing the plan deficit by $28 million.

9. RELATED PARTY TRANSACTIONS

(a) Administration

As indicated in *Note 10*, certain administration costs are paid by the Corporation.

(b) Investments

(in thousands)	2020		2019	
	Investment fair value	**Investment income**	Investment fair value	Investment income
Province of Saskatchewan bonds	**$ 4,013**	**$ 102**	$ 3,887	$ 105

10. ADMINISTRATIVE EXPENSES

The Superannuation (Supplementary Provisions) Act permits the Board to engage technical and professional advisers, specialists and consultants for the purposes of managing, investing and disposing of Plan assets, with the related costs to be paid by the Plan.

The costs to administer the Plan are borne by the Corporation and are therefore not reflected in the Plan financial statements. The costs typically paid for by the Corporation include audit and actuarial fees as well as general administration costs. In 2020, the Corporation paid $306 thousand (2019 – $317 thousand) for costs relating to the Plan. These figures do not include salaries paid to employees of the Corporation who serve as staff advisors or administrators of the Plan and are not included in the table below:

(in thousands)	2020	2019
Investment manager fees	**$ 2,945**	$ 2,991
Custodian fees	**109**	236
Consulting fees	**70**	136
Board member training and development	**1**	29
Total administrative expenses	**$ 3,125**	$ 3,392

11. INVESTMENT PERFORMANCE

The investment manager makes the day-to-day decisions on buying or selling specific investments in order to achieve the long-term performance objectives set by the Board. The Board reviews the investment performance of the Plan in terms of the performance of the benchmark portfolio over a rolling four-year period. The Plan's benchmark has been determined using the actual returns of market indexes such as the FTSE TMX Universe Bond Index; Morgan Stanley Capital All Country World Index; Investment Property Databank; and a Consumer Price Index plus acceptable return approach.

The Plan's objective for the active currency manager is to partially mitigate the impact foreign exchange rates have on the Plan. The Board has approved a benchmark hedge ratio of 50% of the managed portfolio (refer to *Note 6*) although the Manager has the discretion to hedge between 0% and 100% of the managed portfolio.

The primary long-term investment objective for the entire portfolio is to out-perform a benchmark portfolio. The following is a summary of the Plan's investment performance as provided by Aon:

Rates of return (%)	**2020** Investment return	**2020** Investment benchmark return	2019 Investment return	2019 Investment benchmark return
Bonds	**13.4**	**10.3**	10.3	9.8
Global equities	**(4.4)**	**14.2**	15.4	20.2
Real estate	**(1.9)**	**(3.8)**	8.6	6.7
Infrastructure	**8.9**	**5.8**	25.5	7.4
Annual rate of return (unhedged)	**2.6**	**10.8**	13.6	14.8
Currency forwards[1]	**(0.2)**	**n/a**	0.5	n/a
Annual rate of return (hedged)	**2.4**	**n/a**	14.1	n/a
Four-year rolling average return (hedged)	**6.9**	**8.7**	7.7	7.4

1. This represents the impact of currency forwards on the total portfolio (calculated as the difference between the hedged and unhedged return).

12. CAPITAL MANAGEMENT

The Plan's capital is invested in a number of asset classes including bonds, mortgages, equities, real estate, infrastructure, and currency forwards. The Plan periodically receives new capital from contributions that are required by the Corporation's Funding Policy (refer to *Note 1b*). The Plan also receives investment income and market value increases on its invested capital.

The Board's objective for managing its capital is outlined in the Plan's Statement of Investment Policies and Procedures (SIP&P). The SIP&P communicates a philosophy of diversification and protection of capital to investment managers with an objective of optimizing the Plan's risk/return relationship. The risk policies, procedures and objectives have not changed materially from the prior year. To achieve acceptable levels of diversification and risk control, the SIP&P sets out guidelines for asset mix, individual equity/bond holdings, industrial sector holdings, debt ratings and bond duration.

The Board delegates the operational investment decisions to a number of investment managers through different investment mandates as defined in the SIP&P.

FIVE-YEAR REVIEW

FINANCIAL POSITION

As at December 31
(in thousands)

	2020	2019	2018	2017	2016
Assets					
Investments					
Short-term	**$ -**	$ -	$ 3,706	$ 2,139	$ 5,805
Bonds	**255,738**	249,018	242,822	261,139	250,885
Equities	**346,562**	375,284	320,725	372,635	362,437
Real estate	**34,199**	63,973	79,543	74,392	67,240
Infrastructure	**39,838**	29,677	56,342	49,439	57,843
	676,337	717,952	703,138	759,744	744,210
Receivables					
Accrued investment income	**470**	79	954	965	1,857
Currency hedges	**1,009**	2,634	-	2,761	778
Other receivables	**201**	625	592	335	82
	1,680	3,338	1,546	4,061	2,717
Cash	**6,398**	7,857	1,598	1,083	1,503
Total assets	**684,415**	729,147	706,282	764,888	748,430
Liabilities					
Currency hedges	**-**	-	5,026	-	-
Accounts payable and other liabilities	**7,836**	5,965	9,699	5,893	2,640
	7,836	5,965	14,725	5,893	2,640
Net assets available for benefits	**$ 676,579**	$ 723,182	$ 691,557	$ 758,995	$ 745,790
Pension obligations and deficit					
Pension obligations	**$ 906,955**	$ 882,335	$ 843,466	$ 921,573	$ 936,994
Deficit	**(230,376)**	(159,153)	(151,909)	(162,578)	(191,204)
Pension obligations and deficit	**$ 676,579**	$ 723,182	$ 691,557	$ 758,995	$ 745,790

FIVE-YEAR REVIEW

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

For the year ended December 31
(in thousands)

	2020	2019	2018	2017	2016
Increase in net assets					
Investment income					
Interest					
Short-term	**$ 123**	$ 491	$ 502	$ 311	$ 297
Bonds	**7,529**	8,824	8,397	8,709	6,494
	7,652	9,315	8,899	9,020	6,791
Dividends	**8,857**	14,203	8,272	9,562	13,303
	16,509	23,518	17,171	18,582	20,094
Increase in fair value of investments	**2,596**	66,894	-	56,630	11,230
Increase in fair value of currency hedges	**-**	6,309	-	4,014	9,265
	2,596	73,203	-	60,644	20,495
Total increase in net assets	**19,105**	96,721	17,171	79,226	40,589
Decrease in net assets					
Decrease in fair value of investments	**-**	-	8,980	-	-
Decrease in fair value of currency hedges	**2,071**	-	10,218	-	-
Benefit payments	**60,512**	61,442	61,741	62,273	62,756
Refunds and transfers	**-**	76	-	-	-
Death benefit payments	**-**	186	40	-	-
Administrative expenses	**3,125**	3,392	3,630	3,748	3,637
Total decrease in net assets	**65,708**	65,096	84,609	66,021	66,393
Changes in net assets	**(46,603)**	31,625	(67,438)	13,205	(25,804)
Net assets available for benefits, beginning of year	**723,182**	691,557	758,995	745,790	771,594
Net assets available for benefits, end of year	**$ 676,579**	$ 723,182	$ 691,557	$ 758,995	$ 745,790

GLOSSARY

Active Plan member
Plan member making (or deemed to be making) regular contributions to the Plan, including those on an approved leave of absence (with or without pay), those receiving benefits from a short-term illness and injury plan or approved long-term disability plan, and those who are no longer required to contribute.

Actuarial assumptions
Estimates of future events that will affect a plan's obligation for future employee's benefits. Examples of these estimates are: discount rate, inflation, termination rates, retirement age, mortality, dependency status, future salary and benefit levels.

Actuarial valuation
Prepared by an actuary to determine the financial status of the Plan. It considers the value of Plan assets and determines whether the contribution rates are adequate.

Actuary
Professional trained in technical aspects of pensions.

Asset allocation
The dividing of assets among different categories such as equities, bonds and international investments.

Bridge benefits
A temporary pension to supplement the regular lifetime pension. Payable from the early retirement age to the end of the month in which the member turns 65.

Bonds
Long-term debt instrument from a company that provides regular interest payments to the bond-holder and repays the face value at maturity.

Consumer price index (CPI)
The consumer price index measures monthly and yearly changes in the cost of 300 goods and services commonly bought by Canadians. If the combined cost of this "basket" of items goes up, then there has been inflation. The greater the increase, the higher the inflation rate has become. The pension is indexed to the cost of living, and the consumer price index is one of the factors used to calculate annual cost of living increases for pension benefits.

Counterparty
An individual or organization with whom one transacts business.

Custodian
Holds assets for safekeeping for the Plan, may collect income and dividends and do simple reporting on assets. The custodian does not have fiduciary responsibility.

Deferred pension
A pension payable at a later date, either because the Plan member terminates employment before the earliest date at which the pension may begin, or because the Plan member chooses to have the pension commence at a later date. For example, a Plan member may choose to defer a pension in order to later receive an unreduced pension.

Defined benefit plan
Pension plan that provides a defined benefit based on a formula including factors such as years of service and average earnings.

Equities
Common stock or ownership in a company.

Fair value
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market at the measurement date.

Funding
The systematic depositing of current service contributions and special payments into the pension fund.

Futures
Contractual agreements to either buy or sell an asset at a specified price and date in the future.

Governance
The decision-making structures and supporting policies and procedures that enable an organization to achieve its pension objectives and discharge its pension obligations to its legal owners and others.

Index
Method of measuring the investment manager's performance through benchmarks of similar assets.

Investment advisor
Provides analytical review of the total fund, asset classes and the investment managers' performance, relative to peers and Plan benchmarks.

Investment manager
Devises and implements an investment strategy within mandates.

Median
The middle of a distribution: half the scores are above the median and half are below the median.

Money market
A market for short term debt instruments.

Notional value
Amount to which a rate or price is applied in order to calculate the exchange of cash flows.

Plan
Power Corporation Superannuation Plan.

Plan sponsor
Employer sponsoring the pension plan.

Pooled funds
Group of individual securities managed by an investment manager.

Securities
Stocks, bonds and notes that give evidence to and assure the fulfillment of a commitment.

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