



EMPLOYER BULLETIN

Winter 2011

Investment Policy, Meet Funding Policy

MEPP has linked its funding and investment policies. This follows 20-plus years of investment policies and several updated funding policies over the last few years. Earlier this year the Municipal Employees' Pension Commission (the Commission) decided to link the policies to complement each other so our investment and funding policies can better work together.

By establishing a relationship between the two policies, the Commission is strengthening its long-term perspective for managing assets. Together, the policies help the Commission manage risk and ensure the Plan is financially stable. This works to achieve the Plan's goals of secure benefits for members and stable contribution levels for both members and employers.

Working Together to Achieve

As the Commission moves forward with the linked policies, these are the principles behind the changes and decisions:

SHARED COSTS

The cost of the Plan is equally shared between active, contributing members and participating employers. The largest Plan cost is paying out pensions.

STABLE CONTRIBUTIONS

Avoid sudden and large fluctuations in contribution levels.

CONTRIBUTIONS SUPPORTING BENEFITS

Contribution levels must be linked to the benefits provided to keep the Plan in a healthy financial position.

INTERGENERATIONAL EQUITY

A balanced long-term financial plan is in place to minimize risk of future Plan deficits or contribution increases. This means members are paying fair contributions to pay for the pensions they will actually receive.

SHARED SURPLUS

Maintain a specific amount of surplus as a cushion, to avoid sudden contribution increases. Any excess surplus should be shared by members and employers.

INTEGRATION OF FUNDING AND INVESTMENT POLICIES

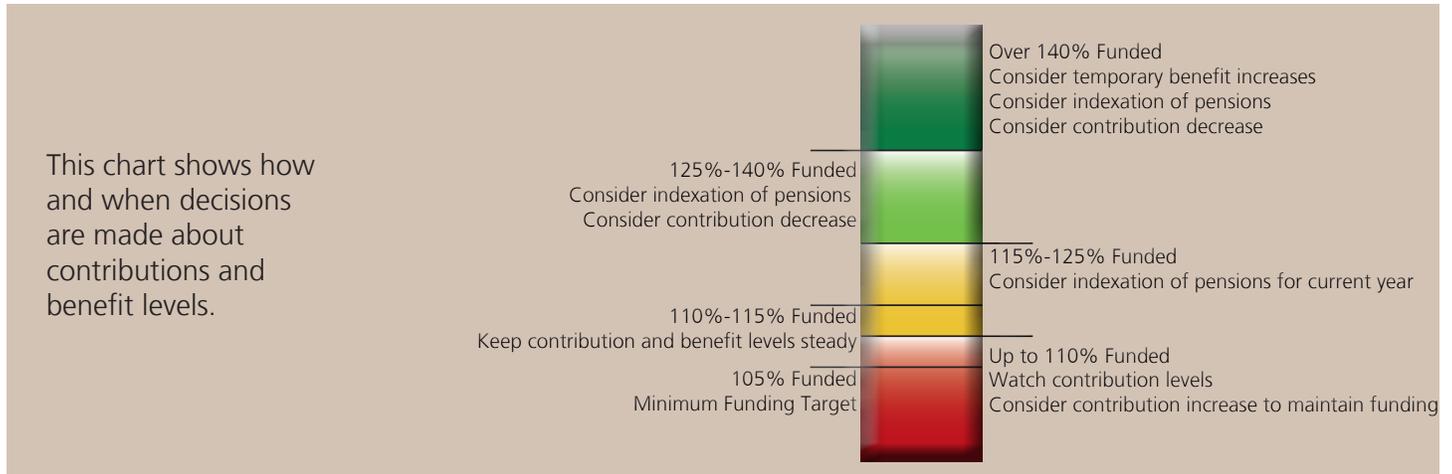
Manage the two policies together. The investment policy supports the funding policy.

.../2

Decisions, Decisions

Guided by these principles, the decision-making process is clearer. There will be trigger points for the Commission to make decisions about funding and benefits. It will be easier for members and employers to understand how and why those decisions are made.

One example of the new, clearer decision-making model is the thresholds that have been determined for determining contributions, indexation or temporary benefit improvements.



Moving Forward Together

The Commission has approved a four-year implementation plan to complete the process of linking the policies.

On an ongoing basis the Commission will review the investment policy and compare Plan assets to Plan liabilities. Every three to five years the Commission will undertake a major study to take a more detailed look. These reviews and comparisons will help the Commission ensure there are appropriate assets to pay pensions and that there is progress toward the long-term goals set for the Plan.

This process is a highly-disciplined, professional and leading-edge approach. By adopting this approach, MEPP is proving to be at the forefront of the pension industry. As the process continues, MEPP will keep you updated on the progress, in regular correspondence, and on our website.

You can view the funding and investment policies at any time under Publications on the website at www.peba.gov.sk.ca