



EMPLOYER BULLETIN

November 2011

Update on MEPP's Funding Status

As of September 29, 2011, the Municipal Employees' Pension Commission (the Commission) has elected for Temporary Solvency Deficiency Payment Relief. MEPP's annual Actuarial Valuation to establish the financial health of the plan showed that the Plan was 95.3 per cent funded on a solvency basis at December 31, 2010. This means that in the case of a hypothetical plan closure on the valuation date, MEPP would not have enough assets to cover the liabilities. There would be a shortfall (a solvency deficiency) of 4.7 per cent.

The decline in capital markets in 2008 and low interest rates over the past several years affected defined benefit pension plans across Canada and many have not yet recovered. MEPP has also been affected. Many plans within the province have already applied for relief.

What exactly does this mean?

This means that the Commission has more time to review options to address the solvency deficiency. The relief period is three years. After the relief period, the Plan will have five years to fund the deficiency.

Now that the Plan has elected solvency relief, there are some requirements. When the solvency ratio (assets : liabilities) is less than 100 per cent, transfers for terminating and retiring members are limited to the solvency ratio of the Plan. MEPP's solvency ratio is 95.3 per cent, so the fund can only pay 95.3 per cent on transfers out of the Plan. Those transfers will be subject to a 4.7 per cent holdback. Any amount held back is paid to the member, along with interest, within five years of the initial date of transfer.

All pensions will continue to be paid in full - the only members affected by the holdback are those who choose to transfer money out of the Plan at termination or retirement. All termination and retirement option packages clearly indicate which options are affected by the holdback, but we've included a chart for your reference on the following page.

What does this mean for employers?

Employers are not affected by the holdback, but there will be a contribution rate increase for members and employers in January 2013 (see rates below).

MEPP wants you to be informed about what is happening with the Plan, for your own information, and if your employees come to you with questions. If you have any questions please contact us.

Contribution rates as of January 1, 2013		
	Members	Employers
General Members	8.15%	8.15%
Designated Members*	11.35%	11.35%

*police and firefighters employed by a MEPP participating employer

The Employer Bulletin is published as a service for the employers of MEPP.
For further information or clarification, contact MEPP's Customer Focus Coordinator:
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Please retain this MEPP Employer Bulletin for your reference.

	Affected by Holdback	
	Yes	No
Retirement		
monthly pension		x
Payment of Termination Benefits		
commuted value transfer, including to another pension plan	✓	
refund of employee contributions with interest where member is not vested		x
excess employee contributions as a result of the 50% employer cost rule		x
Pre-Retirement Death Benefit		
payable to spouse (100%)		x
payable to beneficiary/estate	✓	
Post-Retirement Death Benefit		
monthly pension		x
lump sum guarantee		x
Spousal Relationship Breakdown		
transfer to spouse		x