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A Report on the Actuarial Valuation of the Saskatchewan Municipal Employees' Pension Plan as at December 31, 2005

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Section 1 Executive Summary

INTRODUCTION

This report has been prepared at the request of the Saskatchewan Municipal Employees' Pension Commission to determine the actuarial present value of the obligation of the defined benefit part of the plan as at December 31, 2005 on a going-concern basis and to determine the cost of future benefit accruals. The previous valuation was effective as at September 30, 2004 and the results of that valuation were extrapolated to December 31, 2004.

RESULTS

The results of this valuation and the previous valuation are as follows:

	(thousands of dollars)	
	2005	**2004** (corrected)
Assets At Market Value	$1,220,631	$1,110,386
Investment Reserve	(97,126)	(80,925)
For Valuation Purposes	$1,123,505	$1,029,461
Liabilities	1,059,532	969,126
Reserves	59,201	57,130
Total Liabilities	$1,118,733	$1,026,256
Surplus	$4,772	$3,205

In preparing this valuation, we determined that we had understated the pensioner liabilities by $6,089,000 at the previous valuation – the corrected amount is shown above.

FUTURE FUNDING REQUIREMENTS

The current levels of contribution of 5.4% of salary for regular staff and 7.3% for emergency staff, matched by the employers, are somewhat less than the cost to provide the future benefits. We have allowed for this in our valuation by establishing a reserve to cover the excess cost of the benefit accruals for the next 3 years.

PLAN EXPERIENCE

Over the past year, the plan experience on a going-concern basis has been positive. The investment return determined using "actuarial" value of assets in 2005 was 11.14% rather than the 6.5% assumed. Retirement experience has been considerably lighter than assumed in the previous valuation in which we assumed that all those who, in 2005, were entitled to an unreduced pension would retire in that year. That would have been about 1,200 members – while, in fact, only some 290 members retired from active membership in the period October 1, 2004 to December 31, 2005. Other experience also resulted in lower liabilities than expected, including salary increases and pensioner mortality.

ASSUMPTIONS

For this valuation, we have reduced the inflation assumption from 3% to 2.5% with corresponding changes in the investment return assumption from 6.5% to 6.0% and in the general salary increase assumption from 4.0% to 3.5%.

NEXT VALUATION

The next valuation should be effective no later than December 31, 2008.

SOLVENCY VALUATION

In accordance with the requirements of the Saskatchewan Pension Benefits Act, we have prepared a solvency valuation. This values a hypothetical situation where the plan is terminated and wound-up on the valuation date. This valuation uses assumptions for valuing pensioners and members entitled to retire immediately which are intended to replicate the pricing of immediate annuity purchases – a 4.5% discount rate at December 31, 2005. If we assume that the benefits in respect of pre-1999 service are provided with 2% indexing, there is a small solvency deficiency of $25 million – about 2% of total solvency liabilities. But such indexing is discretionary to the extent that it will only be provided if there are sufficient funds available to support it. If we assume that no indexing is provided to benefits in respect of pre-1999 service, there is a comfortable excess of solvency assets over solvency liabilities of about $144 million. We would therefore conclude that there is no solvency deficiency at this valuation and that the plan can provide the 2% indexing to benefits in respect of pre-1999 service at January 1, 2007, 2008 and 2009, at which time the situation can be reviewed based on the results of the December 31, 2008 valuation.

ANNUITY FUND

The pension fund also provides annuities in respect of money-purchase accounts under the former municipal employees' pension plan. As required by the Canada Revenue Agency, the part of the fund which supports these annuities is separately accounted for and the liabilities have been valued separately in our report dated November 3, 2006. On a going-concern basis, there is a surplus of $1.7 million in the Annuity Fund while on a solvency basis, there is a deficiency of $2.4 million. This latter does not affect our conclusion that the overall fund has no solvency deficiency, and therefore no additional funding is required under the Pension Benefits Act.

We look forward to discussing the contents of this report with you at your convenience.

Respectfully submitted,

John Corp

John Corp, FIA, FCIA

K. Dawn Power, FSA, FCIA

October 4, 2006

Section 2 Valuation of Assets

1. Assets at December 31, 2005

At December 31, 2005, the assets of the plan were as follows:

	(thousands of dollars)
Investments	
Short Term	$24,795
Bonds	361,451
Equities	373,189
Pooled Funds	443,831
Mortgages	599
Real Estate	47,223
	$1,251,088
Cash	684
Accrued Income	3,818
Net Receivables	1,750
Assets attributable to annuity fund*	(36,709)
	$1,220,631

* The fund assets include those which support self-insured annuities provided under the former municipal plan. The Canada Revenue Agency required that, with effect from January 1, 2002, these assets should be accounted for separately with annuities being charged to that account. In the period up to December 31, 2001, such annuities were paid from the fund. The amount attributable to the annuity fund at December 31, 2001 was determined by a report prepared by us and dated November 26, 2002, and this has been updated to the valuation date by adding interest and the purchase price of new annuities and debiting annuities paid and expenses.

2. Financial Statements

The following summarizes the financial statements for the final quarter of 2004 and the full year 2005 which are based on the audited statements prepared by the Public Employees Benefits Agency (PEBA) for 2004 and 2005 and the unaudited statements prepared by PEBA for the 9 month period ending September 30, 2004.

	2004 Last 3 months	2005
At start	$1,048,591	$1,110,386
Employee contributions	4,553	16,596
Employer contributions	4,518	16,540
Transfers-in	8	213
Transfer to annuity fund [1]		(156)
Investment Income	23,623	48,874
Change in market value	39,135	83,694
Pensions Paid	(6,828)	(29,430)
Transfers, refunds etc.	(2,057)	(21,078)
Administration Costs	(638)	(2,256)
Investment & Custodial Fees	(519)	(2,752)
At end	$1,110,386	$1,220,631

Notes:

1. This amount is in respect of plan members who had some defined contribution liabilities under the former municipal plan. On retirement in 2005, these amounts were transferred to the Retirement Annuity portion of the fund.

3. Actuarial value of assets at December 31, 2005

At the previous valuation, we used an approach which attempted to smooth out the fluctuations in the financial markets. We have used a similar approach for this valuation, but with a slight modification as described below.

The previous smoothing approach amortized the "change in market value" of the assets in a year (i.e., the degree to which the value of the assets has changed in the year which is not accounted for by other factors such as contributions, investment income, benefit payments, expenses, etc.) over a period of 5 years.

Thus in 2004 the "change in market value" for the total fund was $70,602,000 (for this exercise, we added back in the assets attributable to the annuities). We amortized this over 5 years starting in 2004 i.e. we recognized one-fifth ($14,120,000) in 2004, which means that at the end of the year there was still $56,482,000 unrecognized.

This year, rather than amortizing the "change in market value", we have amortized the excess of the net investment return in each year over 6% (the investment return assumption used for the valuation). Because the fund is substantially invested in pooled funds, some of which reflect investment income as a change in market value, the "change in market value" includes some investment income rather than just capital gains and losses, which was the original intent of this smoothing process. We think that the change in our method will produce more consistent results.

The actuarial value expressed as a percentage of market value for the total fund is therefore determined as follows

			(thousands of dollars)
Market value of total fund (inc.$36,709 annuity fund)			$1,257,340
2005 excess over 6%	$65,800	Unrecognized (80%)	(52,640)
2004 excess over 6%	$53,636	Unrecognized (60%)	(32,182)
2003 excess over 6%	$77,871	Unrecognized (40%)	(31,148)
2002 excess over 6%	($79,588)	Unrecognized (20%)	15,918
Actuarial value of total fund (incl. annuity fund)			$1,157,288
		or	92.043% of the fund

Applying this percentage to the part of the fund other than that supporting the annuities, we have

Market value		$1,220,631,000
Investment Reserve	(7.957%)	(97,126,000)
Actuarial Value	(92.043%)	$1,123,505,000

The smoothing method used at the previous valuation would have provided for an actuarial value of 89.106% of market value.

4. Rates of Return

The rates of return on the fund in 2005, net of investment expenses, and assuming that all cash flows occur on July 1, are 11.58% on a market value basis and 11.14% on a smoothed actuarial value basis.

Section 3 Actuarial Assumptions, Actuarial Methods and Reserves

1. Economic Assumptions

The economic assumptions used in the valuation are as follows. They are the same as used in the previous valuation, except where noted:

a) *Inflation = 2.5% per annum.* At the previous valuation, we assumed a 3.0% rate of inflation.

b) *Investment Return = 6.0%.* At the previous valuation, we assumed a 6.5% investment return.

c) *Rate of salary increase*

We have assumed that there will be a general salary increase of 3.5% per annum – equivalent to inflation plus 1%. At the previous valuation, we assumed a 4.0% rate of general salary increase (which was also equivalent to inflation plus 1%).

We have also allowed for promotional and merit increases as follows:

Years of Service	Regular Employees	Emergency Employees
1-5	2.0% per year	3.0% per year
6-10	1.5% per year	2.0% per year
11-15	1.0% per year	1.0% per year
16-20	0.5% per year	0.5% per year

d) *Increase in CPP earnings ceiling and maximum pension.*

We assumed that the CPP earnings ceiling would increase from $42,100 in 2006 by 3.5% per year (being inflation plus 1%). We have also assumed that the maximum pension per year of service permitted under the Income Tax Act would increase by from $2,111 in 2006, to $2,222 in 2007, to $2,333 in 2008 and to $2,444 in 2009 and would increase thereafter at 3.5% per annum. At the previous valuation, we assumed that the CPP earnings ceiling would increase from $41,100 in 2005 by 4.0% per annum and we assumed that the maximum pension per year of service would increase from $2,000 in 2005 by 4.0% per annum.

e) *Administration Expenses*

We have established a target reserve for future expenses in 2 parts

(i) 2.75% of accrued liabilities, plus
(ii) $1.15 million per year for the next 3 years

with a minimum reserve of the present value of expected expenses in the next 3 years.

The total administration expenses in the last 3 years were $6.9 million or an average of $2.3 million per year – about 5.5% of benefits paid. We have allocated the expenses as 50% in respect of current service and 50% in respect of past service so that our target expense reserve is 2.75% of accrued liabilities (excluding reserves) at December 31, 2005 or $29.14 million plus $3.16 million being the present value of $1.15 million for the next three years for a total of $32.29 million. The minimum reserve is the present value of the full expenses for the period to the next valuation date, or $6.32 million. The reserve actually used in the valuation is the target reserve.

At the previous valuation, the expense reserve was 3% of accrued liabilities plus the present value of $1.15 million for 3 years, for a total of $32.04 million.

2. Demographic assumptions

These are the same as used at the previous valuation, except where noted.

a) *Retirement*

Regular Staff

We have assumed that there is a 50% probability that a regular staff member will retire on first becoming entitled to an unreduced pension and a 50% probability that they will not retire until age 65. For those already entitled to an unreduced pension at December 31, 2005, we have assumed that there is a 50% probability that they will retire at June 30, 2006 and a 50% probability that they will retire at age 65. At the previous valuation, we assumed that for all those who were already entitled to an unreduced pension, or would become so entitled in 2005, there was a 100% probability that they would retire at June 30, 2005. For those regular staff who would first become entitled to an unreduced pension in any event after 2005, we assumed that 50% would retire on the date they become entitled to an unreduced pension and 50% would continue until 65.

Emergency Staff

For the emergency staff, we have assumed that 100% will retire when they are first entitled to an unreduced pension. This is the same assumption as at the previous valuation.

b) *Termination of Membership*

For the regular staff we have assumed terminations in accordance with a table of estimates of which are shown below.

	This Valuation
20	20.5%
25	15.5%
30	10.5%
35	6.5%
40	4.8%
45	4.3%
50	3.2%
55	1.2%

For the emergency staff, we have used an assumption of 75% of the termination rates for the regular staff to recognize their generally lower turnover rates.

c) *Mortality*

We have used the 1994 Uninsured Pensioner mortality table with projection of mortality improvements until 2015.

d) *Proportion married and age of spouse*

We have assumed that 90% of male members and 70% of female members will be married at retirement and the male spouse will be 4 years older

e) *Disability*

In this valuation, we have valued the disabled members separately – assumed that they will all stay disabled to their unreduced pension date and then retire at that date and that their imputed salary will increase at 3.5% per year. We have also provided them with full service credit from July 1, 1988, or the date of disability if later, to December 31, 2005.

We have not made any allowance for future disabilities.

3. Actuarial Method

(a) Liabilities

For this valuation, we have used the unit credit method to determine the plan's financial position. This was the method used at the previous valuation. Under this method, the actuarial value of the plan assets is compared with the actuarial present value of the pensions accrued in respect of service to the valuation date.

Under this method we take each individual, project his or her salary to retirement, determine the value of the pension and bridge benefit in respect of service to the valuation date and discount this back to the valuation date. We discount for interest but also for prior termination and death and the value of the termination and death benefits are determined in a manner consistent with the retirement benefit.

The objectives of this cost method are the systematic accumulation over time of dedicated assets which, without recourse to the Employer's assets, secure the Plan's benefits in respect of members' service already rendered, and the orderly and rational allocation of contributions among time periods.

Also under this method, the current service cost is the value of the benefits which will be earned in respect of the year of service following the valuation date. Aside from experience different from assumed or changes in assumptions that may affect cost, an increase (or decrease) in the average age of the membership will increase (or decrease) the current service of cost.

The value of the member's accrued benefits are compared with his or her contributions with interest. If the contributions with interest are greater than 50% of the value of the benefit, the liability is increased by the difference.

(b) **Reserves**

We have established two liability-related reserves as follows:

(i) *Excess accruals for next 3 years.*

As the plan has fixed contributions we have established a reserve of $24.228 million for regular staff and $1.425 million for emergency staff to cover the excess of the current service cost over the fixed contributions during the period to the next full valuation date – a 3-year period.

(ii) *Future Accruals for disabled members.*

We have established a reserve of $1.261 million to cover all the future accruals of the currently disabled members.

Section 4 Valuation Results

1. Going-concern valuation results at December 31, 2004

Based on the asset information from Section 2, the results of the valuation at December 31, 2005 are as follows, with those for December 31, 2004 for comparison

	(thousands of dollars)	
	2005	**2004 (corrected)**
Assets at market value	$1,220,631	$1,110,386
Investment Reserve	(97,126)	(80,925)
Net assets	$1,123,505	$1,029,461
Liabilities	$1,059,532	969,126
Liability Reserve	26,914	25,090
Expense Reserve	32,287	32,040
	$1,118,733	$1,026,256
Surplus	$4,772	$3,205

The liabilities at December 31, 2005 compared with those at September 30, 2004 (the effective date of the last full valuation) were as follows:

	(thousands of dollars)		
	December 31, 2005 (New Assumptions)	**December 31, 2005** (Old Assumptions)	**September 30, 2004**
Regular members	$526,357	$501,926	$512,632
Emergency members	43,596	41,058	40,561
Disabled members	4,841	4,605	4,590
Pensioners	374,330	357,048	311,355
Survivors	27,796	26,754	22,924
Deferred pensioners	50,265	47,200	42,718
Pending	32,161	29,943	14,583
Former Plan Accums.	166	166	33
Voluntary Conts.	20	20	89
Total	$1,059,532	$1,008,720	$949,485

2. Solvency Valuation at December 31, 2005

A solvency valuation assumes that the plan is wound-up on the valuation date and benefits are settled through the purchase of annuities and the transfer-out of commuted values. For the solvency valuation, we do not employ a salary projection for the liabilities and no reserves are required, other than for the expenses required for plan wind-up.

We assume that all members not eligible to retire immediately would transfer the lump sum commuted value out of the Plan and that annuities would be purchased for all current pensioners and all other members eligible to retire immediately. The lump sum commuted values are calculated based on the Canadian Institute of Actuaries (CIA) Standards of Practice for Commuted Values as they apply to a calculation occurring in December 2005 (specifically by assuming mortality in accordance with UP94@2015 and using a discount rate of 4.5% for the first 10 years and 5% thereafter). The purchase price for annuities is approximated by assuming mortality in accordance with the UP94@2015 mortality table and a discount rate of 4.5%. This is the basis recommended by the Canadian Institute of Actuaries for the valuation of immediate pensions in solvency valuations at December 31, 2005. Expenses on wind-up are assumed to be $250 per member. The results of the solvency valuation are:

	(thousands of dollars)	
	2% indexing for pre-1999 service	no indexing for pre-1999 service
Assets at market value	$1,220,631	$1,220,631
Expenses of plan wind-up	(4,716)	(4,716)
Net assets for solvency purposes	$1,215,915	$1,215,915
Regular Staff	$612,978	$542,539
Emergency Staff	55,171	45,739
Disabled Members	6,075	5,356
Pensioners	436,098	363,997
Survivors	31,420	26,910
Deferred Pensioners	59,430	51,796
Pending	39,176	35,524
Former Plan Accumulations	166	166
Voluntary Contributions	20	20
Total	$1,240,534	$1,072,047
Excess/(Shortfall)	($24,619)	$143,868

3. Future Funding Requirements

Regular staff will contribute 5.4% and emergency staff 7.3% of earnings with employers matching these contributions but the cost of benefit accruals is somewhat higher than those matching contributions.

We have established a reserve at December 31, 2005 to cover the excess accruals for the next 3 years. (i.e., the excess of the cost of benefits earned during the period over the total of the employee and matching employer contributions).

The following table shows the current service cost in terms of percentage of salary and compares this with the total matching contributions:

	% of Salary			
	Current Service Cost	**Total Matching Contributions**	**Excess**	**Expected Contributions 2006 (000's)**
Regular	14.1	10.8	3.3	15,213
Emergency	19.4	14.6	4.8	922

In recent years, with longer life expectancy and lower interest rates, pensions have become more expensive and the current contribution rates are lower than for other similar plans, so that we think that the most logical solution for this shortfall is an increase in contribution rates. Other solutions are a reduction in benefits or the continuation of the current situation where these future shortfalls are covered by past service surplus, which is fine as long as there are such surpluses.

4. **Reconciliation of Results**

The reconciliation is as follows:

	$000's
Surplus at the previous valuation – as reported	$9,294
Understatement of liabilities	(6,089)
Revised surplus	$3,205
Interest on surplus at 6.50% for 1 year	208
Fund earning more than 6.5%[1]	47,336
Demographic experience[2]	19,017
Salary Gain[3]	4,715
Revised credited service [4]	(3,105)
Interest credits on contributions higher than assumed [5]	(5,288)
Pensioner mortality gain[6]	756
Pensioners omitted from previous valuation [7]	(896)
New entrants [8]	(381)
Expense loss [9]	(497)
Establishment of accrual reserve for 2008[10]	(6,727)
Change in assumptions [11]	(56,170)
Balancing item [12]	2,599
Surplus at this valuation	$4,772

Notes:

1. In 2005, the fund has earned, on the basis of the "actuarial" asset values used in the valuation, a rate of return net of investment expenses of 11.14% compared with the 6.5% assumed in this valuation. This has produced an investment gain of $47,336,000.

2. We reran the previous valuation for the active members assuming that we had correctly forecast all the decrements. On that basis, we determined that the liabilities and reserve for 3.25 years excess accrual at September 30, 2004 were $17,577,000 less than those reported in the valuation. With interest at 6.5% for 1.25 years this amounts to $19,017,000 at December 31, 2005.

3. We reran the previous valuation for the active members common to both valuations, using the actual 2004 and 2005 salaries. We determined that the liabilities and reserve for 3.25 years excess accrual at September 30, 2004 were $4,358,000 less than those reported in the valuation. With interest at 6.5% for 1.25 years, this amounts to $4,715, 000 at December 31, 2005.

4. We reran the previous valuation for the common active members, using the service credits reported in the 2005 data. We determined that the liabilities and reserve for 3.25 years excess accrual at September 30, 2004 were $2,870,000 more than those reported in the valuation. With interest at 6.5% for 1.25 years, this amounts to $3,105, 000 at December 31, 2005.

5. In the previous valuation, we assumed that the interest credited to member contribution accounts would be 6.5% per annum. In the 15 month period since the previous valuation, the actual rate has been somewhat higher than this – we estimate about 12.5% per annum. This has the effect of increasing member contribution accounts and hence triggering higher liabilities under the 50% rule. We estimate an additional liability of $5,288,000 at December 31, 2005.

6. More pensioners died in the period than projected and this has led to a gain of $756,000 at December 31, 2005.

7. At the previous valuation, 12 pensioners were omitted from the data. We have determined that there is an additional liability of $896,000 when these are included at December 31, 2005.

8. New entrants in the period who are still active at the valuation date accrued greater benefits than the accumulated matching contributions. We estimate the shortfall to be $381,000 at December 31, 2005.

9. At December 31, 2004, we established a reserve for expenses of $32.040 million. If we add interest to this at 6.5% and debit it by the expenses actually paid, the expected reserve at December 31, 2005 is $31.793 million. But our reserve is actually $32.290 million – an increase of $0.497 million.

10. In the previous valuation, we provided a reserve for the shortfall in the contribution rate for the years 2005 through 2007. In this valuation, we have added a reserve for the shortfall in 2008 in the amount of $6.727 million.

11. The effect of the change in the economic assumptions is to increase the liabilities by $50.817 million and the liability reserves by $5.353 million for a total of $56.170 million.

12. This reconciliation involves a number of approximations and the balancing item of $2,599,000 represents 0.23% of liabilities and reserves, well within our materiality level of 0.5% for this process.

Appendix A Summary of Principal Plan Provisions

The following is a brief summary of the provisions of the plan which are of importance in determining the actuarial liabilities. This summary includes all plan amendments up to December 31, 2005.

Eligibility

Permanent employees, who are employees employed on an ongoing basis (full-time, part-time and seasonal) and who are expected to work 700 hours or more in a year, join the plan on the date they become an employee.

Non-permanent employees may join the plan on the date of hire and must join the plan if the employee works at least 700 hours in two consecutive years. Once an employee has joined the plan, he/she remains a member even though the hours of work reduce to less than 700 hours in a year.

Plan members who move from one participating employer to another, must immediately participate with the second employer regardless of the terms of employment with the second employer.

Members' Contributions

All active members who are not emergency personnel are required to contribute an amount equal to 5.4% of their earnings. Emergency personnel contribute 7.3% of their earnings. Earnings include regular remuneration and commissions, but excludes overtime pay and bonuses.

The interest rate credited on members' contributions is the net fund rate of return smoothed over a period of four years.

Employers' Contributions

The plan provides that employers are obligated to contribute an amount equal to the required employee contributions.

Normal Retirement Date

The normal retirement date for members other than emergency personnel is the first day of the month immediately following the attainment of age 65. The normal retirement date of emergency personnel is the first day of the month immediately following the attainment of age 60.

Early Retirement Date

Non-emergency Members

Members who are not emergency personnel can retire any time after satisfying the rule of 80 (age plus years of continuous service = 80) with an unreduced pension. They can also retire having attained age 55 with a minimum of 15 years of continuous service but in that event, the pension is reduced by 3% for each year prior to the date when the member would satisfy the rule of 80 assuming service had continued.

For the period January 1, 2001 to December 31, 2005, members who were not emergency personnel could have retired on satisfying any of the age of 60, the rule of 80 or 30 years of continuous service with an unreduced pension. They could also have retired on satisfying the age of 55, the rule of 75 or 25 years of continuous service but, in that event, the pension would have been reduced by 3% for each year prior to satisfying one of the age of 60, the rule of 80 or 30 years of continuous service, assuming that service had continued.

Emergency Members

Emergency personnel can retire at any time after satisfying any of the age of 55, the rule of 75 or 25 years of continuous service with an unreduced pension. They can also retire on satisfying the rule of 70 but in that event, the pension in respect of service after 1991 is reduced by 3% for each year prior to satisfying the rule of 75 assuming that service had continued.

During the period January 1, 2001 to December 31, 2005, emergency personnel could have retired on satisfying the age of 50, the rule of 70 or 20 years of service but in that event, the pension in respect of service after 1991 would have been reduced by 3% for each year prior to satisfying any of the age of 55, the rule of 75 or 25 years of service assuming the service had continued.

Retirement Income

Upon retirement, a member is entitled to a retirement benefit based on the member's average highest salary and contributory service, where the average highest salary is the total salary of the member during the three years of highest salary divided by three, as follows:

1. For benefits payable before age 65:

   All members are entitled to a pension of 2% of the average highest salary multiplied by the number of years of contributory service.

2. For benefits payable on and after age 65:

   a) members who are not emergency personnel with a date of entry on or after January 1, 1993:

   - are entitled to a pension of 1.5% of the average highest salary multiplied by the number of years of contributory service, excluding the years 2001 to 2005; plus
   - a pension of 1.8% of the average highest salary multiplied by the number of years of contributory service between January 1, 2001 and December 31, 2005.

   b) emergency personnel with a date of entry on or after January 1, 1993:

   - are entitled to a pension of 1.7% of the average highest salary multiplied by the number of years of contributory service excluding the years 2001 to 2005; plus
   - a pension of 2% of the average highest salary multiplied by the number of years of contributory service between January 1, 2001 and December 31, 2005.

c) members who are not emergency personnel, with a date of entry prior to January 1, 1993:

- with respect to service prior to January 1, 1990 and service between January 1, 2001 and December 31, 2005, are entitled to a pension for each year of contributory service equal to the greater of:

  (a) 1.3% times the average highest salary not in excess of the three year average YMPE plus 2% times the average highest salary in excess of the three year average YMPE, and
  (b) 1.8% times the average highest salary.

- with respect to service on or after January 1, 1990, but excluding years 2001 to 2005, are entitled to a pension for each year of contributory service equal to the greater of:

  (a) 1.3% times the average highest salary not in excess of the three year average YMPE plus 2% times the average highest salary in excess of the three year average YMPE, and
  (b) 1.5% times the average highest salary.

d) emergency personnel with a date of entry prior to January 1, 1993:

- with respect to service prior to January 1, 1990 and service between January 1, 2001 and December 31, 2005 are entitled to a pension for each year of contributory service equal to 2% times the average highest salary:

- with respect to service on or after January 1, 1990, but excluding years 2001 to 2005, are entitled to a pension for each year of contributory service equal to the greater of:

  (a) 1.3% times the average highest salary not in excess of the three year average YMPE plus 2% times the average highest salary in excess of the three year average YMPE, and
  (b) 1.7% times the average highest salary.

Death Benefits Before Retirement

Upon the death of a member prior to retirement, an amount equal to the sum of the member's additional contribution account, the member's annuity and annuity surplus account, the employer additional contribution account and the employer annuity account, plus the commuted value of the defined benefit pension is paid to the member's spouse, beneficiary or estate.

Death Benefits After Retirement

If a retired member who has a spouse at retirement dies, 100% of the pension payable to the member is guaranteed to be paid for five years from the retired member's date of retirement. After the guaranteed payments are made, 60% of the pension to which the retired member was entitled shall be paid to the surviving spouse for life. In the event of the death of both the retired member and the retired member's spouse, the 60% allowance will be payable to the designated dependents (up to age 18).

If the member does not have a spouse at retirement, a single life annuity with a guarantee period of 15 years is payable.

Optional forms of pension are provided on an actuarial equivalent basis.

Termination Benefits

An employee who has been a member of the plan or employed by an employer participating in the plan for a continuous period of at least 2 years, on termination of employment prior to retirement, would receive an immediate or deferred pension. In lieu of part of the pension an employee may elect to receive a lump sum that does not exceed one half of the member's accumulated contributions with interest as at December 31, 1993.

Upon termination, the pension benefit may be commuted.

Indexation Benefits

For pensions in respect of service accrued before 1999, and subject to there being funds available to provide it, the plan provides for future indexation equivalent to the lesser of 2% per year or the increase in the Consumer Price Index with the excess of 2% over the increases in the CPI carried forward on a cumulative basis. Indexing on post-1998 benefits may also be provided if funds permit, but this is a decision of the Commission and does not happen automatically. The 2% increase for benefits in respect of pre-1999 service was paid at January 1, 2005 and 2006 – no increase was provided for benefits in respect of post-1998 service.

Disability

A member who is totally and permanently disabled and who has been away from work for a 2 year period may, on application, continue to accrue credited service without employee or employer contribution. In this event, the salary on which the pension is based will be increased from the date of disability based on the increase in the average Canadian salaries and wages, and the member must retire on his or her unreduced retirement date.

Appendix B Membership Data Summary

Membership data were obtained from the Public Employees Benefits Agency, who administer the plan. The data were gathered and compiled as of December 31, 2005. They were reconciled and checked for consistency with the previous valuation data.

The data included pensionable salary and in-year credited service amounts for 2003, 2004 and 2005. We annualized the salary amounts by dividing the pensionable salary by the credited service in the year. If the 2005 salary was zero as it was for 238 of the active members, we assumed that it should be $20,000.

1. Membership Reconciliation

A. ACTIVES

	Regular	LTD	Emergency	Total
At September 30, 2004	11,573	56	222	11,851
Corrections to 2004 data	(1)			(1)
Retired	(292)	(7)	(8)	(307)
Termination & Deaths				
Deferred	(84)	0	0	(84)
Pending	(1,255)	(6)	(4)	(1,265)
Paid Out	(537)	(2)	(9)	(548)
Status Change				
Regular to LTD	(16)	16	0	0
Regular to Emergency	(1)	0	1	0
LTD to Regular	5	(5)	0	0
Members at December 31, 2005 who were active at September 30, 2004	9,392	52	202	9,646
New Members	1,556	0	16	1,572
Reinstatements				
From Deferred	1	0	0	1
From Pending	154	3	1	158
At December 31, 2005	11,103	55	219	11,377

B. PENSIONERS AND SURVIVORS

	Pensioners	Survivors
At September 30, 2004	2,725	642
Pensioners who should have been included in previous valuation	12	
Deaths – with survivors *	(74)	78
- with no further payments	(38)	(38)
New pensioners		
from regular staff	292	
from disabled staff	7	
from emergency staff	8	
from deferred pensioners	31	
from pending members	31	
from marriage split	2	
At December 31, 2005	2,996	682

* A number of pensioners who died had designated more than one beneficiary.

C. DEFERRED PENSIONERS

At September 30, 2004	1,580
Retired	(33)*
Termination or death – paid-out	(76)
Transfer to pending members	(1)
Reinstated to regular staff	(1)
Transfer from regular staff	84
Transfer from pending members	273
New members since previous valuation	3
At December 31, 2005	1,829

* 2 of the retirees from deferred pensioners also had active records so that the net new retirees from deferred pensioners shown in the Pensioner Reconciliation is 31.

D. PENDING MEMBERS

At September 30, 2004	1,212
Retired	(31)
Termination or death – paid-out	(324)
Transfer to regular staff	(154)
to emergency staff	(1)
to disabled staff	(3)
to deferred pensioners	(273)
Transfer from regular staff	1,255
from emergency staff	4
from disabled staff	6
from deferred pensioners	1
Members who joined plan since Sep. 30, 2004	285
At December 31, 2005	1,977

2. Membership Summary – Active Males (except emergency)

Age		Service 0-5	5-10	10-15	15-20	20-25	25-30	30+	Total
16-24	No.	109	1	0	0	0	0	0	110
	Salary	2,905,184	22,181	0	0	0	0	0	2,927,364
	Avge. Salary	26,653	22,181	0	0	0	0	0	26,612
25-29	No.	155	30	0	0	0	0	0	185
	Salary	4,774,162	1,029,833	0	0	0	0	0	5,803,996
	Avge. Salary	30,801	34,328	0	0	0	0	0	31,373
30-34	No.	166	59	22	1	0	0	0	248
	Salary	5,315,220	2,142,905	838,015	38,494	0	0	0	8,334,633
	Avge. Salary	32,019	36,320	38,092	38,494	0	0	0	33,607
35-39	No.	160	78	32	27	4	0	0	301
	Salary	4,943,507	2,800,198	1,429,084	1,059,573	157,080	0	0	10,389,440
	Avge. Salary	30,897	35,900	44,659	39,243	39,270	0	0	34,516
40-44	No.	234	93	91	80	78	14	0	590
	Salary	6,792,445	3,153,488	3,500,244	3,445,694	3,263,379	626,499	0	20,781,740
	Avge. Salary	29,028	33,908	38,464	43,071	41,838	44,750	0	35,223
45-49	No.	241	130	76	112	83	61	5	708
	Salary	7,462,981	4,356,169	2,696,998	4,287,782	3,749,594	2,730,797	182,251	25,466,570
	Avge. Salary	30,967	33,509	35,487	38,284	45,176	44,767	36,450	35,970
50-54	No.	193	125	92	100	78	57	37	682
	Salary	6,056,284	4,010,698	3,380,013	4,072,739	3,453,036	2,416,293	1,844,172	25,233,210
	Avge. Salary	31,380	32,086	36,739	40,727	44,270	42,391	49,842	36,999
55-59	No.	155	103	68	78	60	45	39	548
	Salary	4,456,325	3,045,410	2,477,214	2,740,960	2,561,659	1,937,654	1,752,398	18,971,620
	Avge. Salary	28,750	29,567	36,430	35,141	42,694	43,059	44,933	34,620
60-69	No.	139	86	44	44	32	23	19	387
	Salary	3,343,028	2,487,329	1,562,311	1,443,723	1,208,181	1,015,786	711,146	11,771,510
	Avge. Salary	24,051	28,922	35,507	32,812	37,756	44,165	37,429	30,417
Total	No.	1,552	705	425	442	335	200	100	3,759
	Salary	46,049,080	23,048,210	15,883,880	17,088,970	14,392,930	8,727,029	4,489,968	129,680,100
	Avge. Salary	29,671	32,692	37,374	38,663	42,964	43,635	44,900	34,499

3. Membership Summary – Active Females (except emergency)

Age		Service 0-5	5-10	10-15	15-20	20-25	25-30	30+	Total
16-24	No.	227	0	0	0	0	0	0	227
	Salary	4,801,649	0	0	0	0	0	0	4,801,649
	Avge. Salary	21,153	0	0	0	0	0	0	21,153
25-29	No.	380	49	1	0	0	0	0	430
	Salary	9,096,810	1,364,465	19,595	0	0	0	0	10,480,870
	Avge. Salary	23,939	27,846	19,595	0	0	0	0	24,374
30-34	No.	485	131	21	0	0	0	0	637
	Salary	11,659,470	3,678,081	631,424	0	0	0	0	15,968,980
	Avge. Salary	24,040	28,077	30,068	0	0	0	0	25,069
35-39	No.	614	210	55	44	3	0	0	926
	Salary	13,578,080	5,511,722	1,612,461	1,450,455	123,965	0	0	22,276,720
	Avge. Salary	22,114	26,246	29,317	32,965	41,322	0	0	24,057
40-44	No.	762	381	123	113	67	1	0	1,447
	Salary	17,014,340	9,186,094	3,606,602	3,857,889	2,463,134	37,009	0	36,165,080
	Avge. Salary	22,329	24,110	29,322	34,141	36,763	37,009	0	24,993
45-49	No.	613	344	231	173	71	41	3	1,476
	Salary	13,574,690	8,314,937	6,243,418	5,156,211	2,511,711	1,522,151	139,365	37,462,450
	Avge. Salary	22,145	24,171	27,028	29,805	35,376	37,126	46,455	25,381
50-54	No.	347	255	173	214	103	36	18	1,146
	Salary	8,015,681	6,289,208	4,629,746	6,093,866	3,487,991	1,385,360	675,960	30,577,830
	Avge. Salary	23,100	24,664	26,762	28,476	33,864	38,482	37,553	26,682
55-59	No.	180	151	91	169	94	44	21	750
	Salary	4,252,799	3,638,021	2,257,910	4,642,244	2,862,405	1,273,703	705,742	19,632,830
	Avge. Salary	23,627	24,093	24,812	27,469	30,451	28,948	33,607	26,177
60-69	No.	82	47	36	59	33	26	22	305
	Salary	1,729,358	998,704	850,008	1,576,004	794,840	669,809	688,678	7,307,397
	Avge. Salary	21,090	21,249	23,611	26,712	24,086	25,762	31,304	23,959
Total	No.	3,690	1,568	731	772	371	148	64	7,344
	Salary	83,722,830	38,981,200	19,851,170	22,776,660	12,244,050	4,888,032	2,209,745	184,674,000
	Avge. Salary	22,689	24,860	27,156	29,503	33,003	33,027	34,527	25,146

4. Membership Summary – Active Emergency Males

Age		Service 0-5	5-10	10-15	15-20	20-25	25-30	30+	Total
16-24	No.	5	0	0	0	0	0	0	5
	Salary	220,730	0	0	0	0	0	0	220,730
	Avge. Salary	44,146	0	0	0	0	0	0	44,146
25-29	No.	29	2	0	0	0	0	0	31
	Salary	1,306,877	92,896	0	0	0	0	0	1,399,773
	Avge. Salary	45,065	46,448	0	0	0	0	0	45,154
30-34	No.	14	12	8	1	0	0	0	35
	Salary	668,500	707,035	513,211	63,825	0	0	0	1,952,571
	Avge. Salary	47,750	58,920	64,151	63,825	0	0	0	55,788
35-39	No.	5	10	12	5	0	0	0	32
	Salary	269,446	544,798	674,627	275,317	0	0	0	1,764,187
	Avge. Salary	53,889	54,480	56,219	55,063	0	0	0	55,131
40-44	No.	2	2	11	13	5	0	0	33
	Salary	58,677	93,875	638,014	934,961	333,769	0	0	2,059,297
	Avge. Salary	29,339	46,938	58,001	71,920	66,754	0	0	62,403
45-49	No.	0	2	4	6	6	4	0	22
	Salary	0	99,480	226,238	402,741	359,047	259,212	0	1,346,717
	Avge. Salary	0	49,740	56,559	67,124	59,841	64,803	0	61,214
50-54	No.	3	2	0	2	7	11	1	26
	Salary	153,006	114,808	0	104,858	426,463	740,360	72,823	1,612,318
	Avge. Salary	51,002	57,404	0	52,429	60,923	67,305	72,823	62,012
55-59	No.	2	1	3	0	2	2	3	13
	Salary	120,641	30,960	174,110	0	139,461	105,931	204,537	775,640
	Avge. Salary	60,320	30,960	58,037	0	69,730	52,966	68,179	59,665
60-69	No.	1	0	0	1	0	0	0	2
	Salary	20,561	0	0	63,127	0	0	0	83,689
	Avge. Salary	20,561	0	0	63,127	0	0	0	41,844
Total	No.	61	31	38	28	20	17	4	199
	Salary	2,818,439	1,683,852	2,226,199	1,844,829	1,258,739	1,105,504	277,360	11,214,920
	Avge. Salary	46,204	54,318	58,584	65,887	62,937	65,030	69,340	56,356

5. Membership Summary – Active Emergency Females

Age		Service 0-5	5-10	10-15	15-20	20-25	25-30	30+	Total
16-24	No.	2	0	0	0	0	0	0	2
	Salary	75,169	0	0	0	0	0	0	75,169
	Avge. Salary	37,585	0	0	0	0	0	0	37,585
25-29	No.	1	0	0	0	0	0	0	1
	Salary	40,076	0	0	0	0	0	0	40,076
	Avge. Salary	40,076	0	0	0	0	0	0	40,076
30-34	No.	3	0	2	0	0	0	0	5
	Salary	123,225	0	127,862	0	0	0	0	251,087
	Avge. Salary	41,075	0	63,931	0	0	0	0	50,217
35-39	No.	1	1	0	1	0	0	0	3
	Salary	46,278	62,691	0	66,802	0	0	0	175,771
	Avge. Salary	46,278	62,691	0	66,802	0	0	0	58,590
40-44	No.	0	1	1	1	1	1	0	5
	Salary	0	61,276	71,399	47,572	48,050	67,262	0	295,559
	Avge. Salary	0	61,276	71,399	47,572	48,050	67,262	0	59,112
45-49	No.	0	0	0	0	0	1	0	1
	Salary	0	0	0	0	0	89,942	0	89,942
	Avge. Salary	0	0	0	0	0	89,942	0	89,942
50-54	No.	0	0	0	2	0	0	0	2
	Salary	0	0	0	114,099	0	0	0	114,099
	Avge. Salary	0	0	0	57,049	0	0	0	57,049
55-59	No.	1	0	0	0	0	0	0	1
	Salary	39,000	0	0	0	0	0	0	39,000
	Avge. Salary	39,000	0	0	0	0	0	0	39,000
60-69	No.	0	0	0	0	0	0	0	0
	Salary	0	0	0	0	0	0	0	0
	Avge. Salary	0	0	0	0	0	0	0	0
Total	No.	8	2	3	4	1	2	0	20
	Salary	323,748	123,967	199,261	228,473	48,050	157,203	0	1,080,702
	Avge. Salary	40,469	61,983	66,420	57,118	48,050	78,602	0	54,035

6. Disabled Members

	Males			Females		
Age	Number	Pensionable Service	Average Salary	Number	Pensionable Service	Average Salary
25-29	0	0	0	0	0	0
30-35	0	0	0	0	0	0
35-39	0	0	0	2	16.37	24,189
40-44	2	18.29	22,504	2	14.96	19,448
45-49	3	48.59	28,545	3	47.65	24,282
50-54	11	147.85	28,550	8	115.34	25,653
55-59	5	47.24	31,923	6	57.81	23,484
60-64	4	77.82	30,027	6	133.77	28,027
65-69	3	52.15	35,039	0	0	0
	28	391.94	29,626	27	385.90	24,978

7. Pensioners

	Male			Female		
Age	Number	Monthly Pension	Monthly Bridge	Number	Monthly Pension	Monthly Bridge
0-49	18	27,420	4,154	4	4,564	897
50-54	60	113,106	17,664	20	26,865	4,892
55-59	120	183,777	29,440	116	76,407	16,098
60-64	212	270,074	50,934	204	114,766	25,690
65-69	400	364,755	7,401	244	124,035	2,461
70-74	405	326,414	0	202	85,603	0
75-79	366	235,002	0	121	49,485	0
80-84	214	112,188	0	91	33,039	0
85-89	109	44,456	0	47	12,417	0
90-94	34	8,236	0	6	1,101	0
95-99	3	360	0	0	0	0
Total	1,941	1,685,789	109,594	1,055	528,284	50,037

8. Survivors

	Male			Female		
Age	Number	Monthly Pension	Monthly Bridge	Number	Monthly Pension	Monthly Bridge
0-49	6	3,223	0	9	2,509	0
50-54	2	108	0	2	2,441	359
55-59	1	55	0	19	15,134	1,343
60-64	8	4,169	294	31	18,878	424
65-69	2	1,211	227	62	30,794	78
70-74	12	4,286	0	108	41,128	0
75-79	9	1,872	0	128	41,002	52
80-84	9	1,963	0	157	36,059	0
85-89	7	1,566	0	76	14,917	0
90-94	4	467	0	26	3,348	0
95-99	0	0	0	4	360	0
Total	60	18,921	521	622	206,571	2,255

9. Deferreds

	Male			Female		
Age	Number	Annual Pension	Annual Bridge	Number	Annual Pension	Annual Bridge
0-24	2	9	0	5	139	0
25-29	25	2,675	0	28	1,615	0
30-34	43	5,317	85	66	5,669	0
35-39	61	11,062	133	106	13,340	0
40-44	147	29,630	1,045	154	23,237	948
45-49	152	42,009	3,128	204	37,481	2,854
50-54	151	47,477	4,252	183	32,783	1,581
55-59	124	33,256	1,078	136	26,563	1,479
60-64	99	22,830	246	102	17,869	587
65-69	27	5,963	0	14	1,828	0
Total	831	200,227	9,969	998	160,524	7,450

10. Pending

	Male			Female		
Age	Number	Annual Pension	Annual Bridge	Number	Annual Pension	Annual Bridge
0-24	78	873	0	83	1,442	0
25-29	78	3,859	0	159	8,246	0
30-34	86	10,796	0	155	12,761	0
35-39	112	18,106	464	142	14,412	41
40-44	130	26,149	1,572	118	18,411	1,573
45-49	161	39,140	4,169	128	16,611	1,192
50-54	155	31,538	3,205	99	19,684	1,729
55-59	117	31,600	3,006	34	6,695	597
60-64	96	25,861	4,685	18	2,886	642
65-69	25	6,815	0	3	310	0
Total	1,038	194,736	17,103	939	101,457	5,775

Appendix C Actuarial Opinion

with respect to the Saskatchewan Municipal Employees Pension Plan forming part of the actuarial report dated October 4, 2006 on a valuation of the plan as at December 31, 2005.

In my opinion:

a) the plan is fully funded at December 31, 2005 with a surplus of $4,772,000 while on a solvency basis, excluding indexing on pre-1999 benefits, which would only be provided if there are sufficient funds to do so, the plan has an excess of solvency assets over solvency liabilities of $143.868 million.

b) The pension fund also provides annuities in respect of money-purchase accounts under the former municipal employees' pension plan. As required by the Canada Revenue Agency to ensure that no additional funding is made in respect of these benefits, the part of the fund which supports these annuities is separately accounted for and the liabilities have been valued separately in our report also dated August 18, 2006. On a going-concern basis, there is a surplus of $1.7 million while on a solvency basis, there is a deficiency of $2.4 million.

c) the rule for computing the employer normal cost contribution for each year from January 1, 2005 to December 31, 2007 is that the employers should match the contributions made by the members. Estimated member contributions in 2006 are $16.14 million. Total employer and employee contributions are not sufficient to meet the full costs of the benefits accruing in these years but a reserve has been established to fund the shortfall for the 3 years from the valuation date and the financial position of the plan was determined after the establishment of this reserve.

d) the value of the plan assets would be equal to the actuarial liabilities if the plan were to be wound-up on the valuation date, on the basis that any excess funds on wind-up would be used to the extent possible to provide indexing to benefits in respect of pre-1999 service, up to a maximum of 2% per annum.

e) the plan has no solvency deficiency at the valuation date and the solvency ratio is not less than 1:1.

f) the next valuation must be prepared no later than December 31, 2008.

Notwithstanding the above, emerging experience which differs from the assumptions on which this opinion is based will result in gains or losses which will be revealed in future valuations.

In my opinion:

a) the data on which the valuation is based are sufficient and reliable for the purposes of the valuation.

b) the assumptions used are, in aggregate, appropriate for the purposes of the valuation, and

c) the methods employed in the valuation are appropriate for the purposes of this valuation.

This report has been prepared and my opinion given in accordance with accepted actuarial practice.

October 4, 2006

Date

John Corp

John Corp,
Fellow of the Institute of Actuaries
Fellow of the Canadian Institutes of Actuaries

Appendix D Administrator's Certification

of the membership data submitted to Eckler Partners Ltd. in connection with the actuarial valuation of the Saskatchewan Municipal Employees' Pension Plan as at December 31, 2005.

I hereby certify that, to the best of my knowledge and belief,

a) The summary of plan provisions contained in this report is a complete and accurate summary of the terms of the plan.

b) The membership data supplied to the actuary provides a complete and accurate description of all persons who are entitled to benefits under the terms of the plan in respect of service up to the date of the valuation.

c) All events including those subsequent to the date of the valuation that may affect the results of the valuation have been communicated to the actuary.

Oct 10, 2006
Date

E. Ireland
Public Employees Benefits Agency
Plan Administrator