

October 5, 2007

**A Report on the
Actuarial Valuation of the
Saskatchewan Municipal Employees' Pension Plan
as at December 31, 2006**

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Eckler Ltd.

Consultants and Actuaries



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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 funding parameters of the defined benefit part of the plan as at December 31, 2006. The previous valuation was effective as at December 31, 2005.

This is the first valuation performed under a funding policy adopted by the Commission to provide a framework for the sound financial management of the plan, and to guide decisions that will have to be made from time to time to restore or maintain a satisfactory funded status. The funding policy enables the Commission to be proactive in managing the financial status of the plan, and will help to facilitate communication with stakeholders on the status of the plan.

This report sets forth the results of valuations on both a going-concern and a solvency basis. The going-concern valuation is presented on two bases:

- a. the minimum funding valuation which incorporates incremental investment returns above the lowest-risk portfolio consistent with the investment class allocations in the investment policy, and
- b. the maximum funding valuation which is based on market yields on long-term government bonds as the best unbiased measure of future investment performance for a lowest-risk investment portfolio.

The solvency valuation is also presented on two bases, including, and excluding, any future additional allowances that would be granted solely as a result of existing policies adopted by the Commission.

It is anticipated that the funding status in an actuarial valuation will generally show a surplus on the minimum funding basis and a deficit on the maximum funding basis. In other words, a hypothetical basis which would produce neither a surplus nor a deficit would involve assumptions that fall between the assumptions used for the minimum funding basis and the assumptions used for the maximum funding basis. The funding policy dictates that action must be taken if this is not the case, as follows:

- a. If minimum funding reveals a deficit, the Commission must consider reducing benefits or increasing contributions, or



- b. If maximum funding reveals a surplus, the Commission should consider establishing a further reserve to fund future current service cost shortfalls, improving benefits or reducing contributions, but
- c. If an excess surplus as defined in the *Income Tax Act* cannot be avoided, then the Commission must consider improving benefits or reducing contributions to eliminate the excess surplus.

In addition, if both solvency valuations reveal deficits, the Commission must consider reducing benefits or increasing contributions.

The Commission may also consider taking some action if current funding is approaching minimum or maximum funding.

RESULTS

Financial Position at December 31, 2006

A comparison of the financial position under the minimum and maximum funding valuations as at December 31, 2006 is as follows:

	(thousands of dollars)	
	Minimum Funding	Maximum Funding
Assets at market value	\$1,353,716	\$1,353,716
Investment reserve	<u>(144,238)</u>	<u>(171,908)</u>
Net assets	\$1,209,478	\$1,181,808
Liabilities and reserves	\$1,161,197	\$1,468,099
Surplus/Deficit	\$48,281	(\$286,291)
As a percentage of market value	3.6%	(21.1%)



In addition, the solvency valuation produces a surplus whether future additional allowances, granted solely as a result of existing policies adopted by the Commission, are included in the liabilities or not, as follows:

	(thousands of dollars)	
	Solvency Basis 2% indexing for pre-1999 service	Solvency Basis no indexing for pre-1999 service
Assets at market value	\$1,353,716	\$1,353,716
Expenses of plan wind-up	<u>(5,902)</u>	<u>(5,902)</u>
Net assets for solvency purposes	\$1,347,814	\$1,347,814
Total solvency liabilities	1,343,956	1,167,111
Excess/(Shortfall)	\$3,858	\$180,703

Current Service Cost

A comparison of the current service cost as a percentage of salary and as dollar amounts under the minimum and maximum funding valuations is as follows:

	(% of Salary)	
	Minimum Funding	Maximum Funding
Current service cost	14.3	18.4
Expected contributions	11.0	11.0
Excess normal cost	3.3	7.4

	(thousands of dollars)	
	Minimum Funding	Maximum Funding
Current service cost	45,696	58,519
Expected contributions	34,922	34,922
Excess normal cost	10,774	23,597

COMMENTS

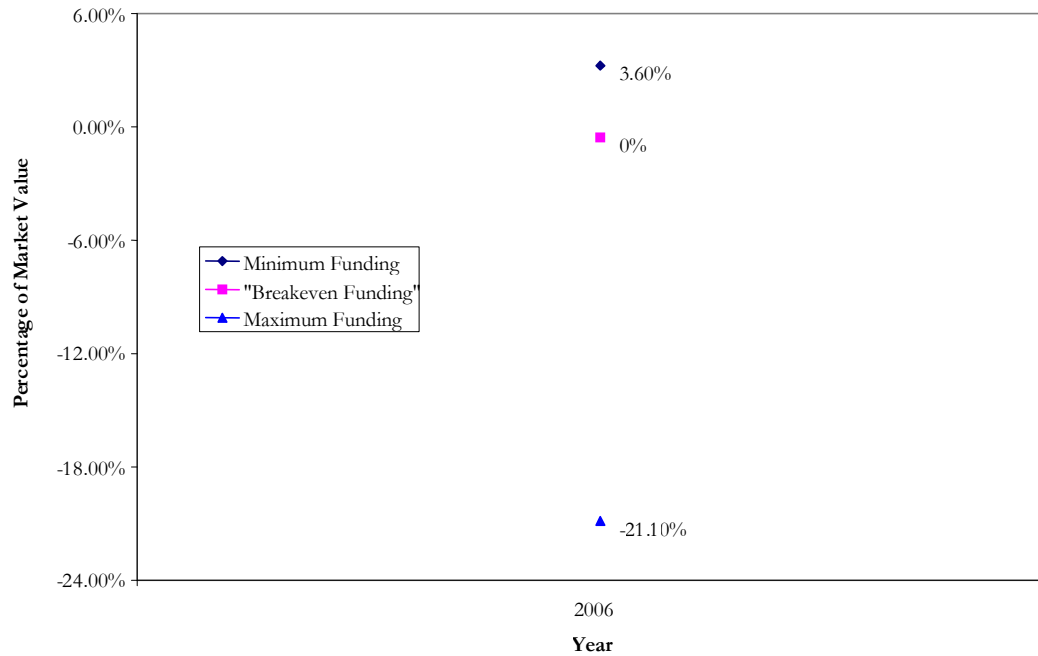
As there is a surplus on the minimum funding basis, a deficit on the maximum funding basis, and a surplus on both bases used for the solvency valuation, no actions are required under the funding policy at this time. However, in accordance with the funding policy, the Commission may also determine that action should be taken when a minimum funding valuation does not have a shortfall, but where the surplus is small or where the excess of current service cost over current contributions is large.



Current contributions of 5.4% of salary for regular staff and 7.3% for emergency staff, matched by the employers, are insufficient to fund benefits accruing in each year. This excess of the cost of benefits accruing each year over the contributions is referred to as the excess normal cost. Under minimum funding, a reserve to cover the excess normal cost for the next 3 years is established and the surplus generated on this basis is sufficient to cover an additional 5 years of the excess normal cost. The existence of a large investment reserve at this time, which would cover several more years, suggests that there is no need to consider any action at this time.

The relationship between the results of the minimum and maximum funding valuations is presented in the following chart. Surplus or shortfall generated under each of minimum or maximum funding is shown as a percentage of the market value of the fund. The “breakeven funding” scenario is that set of assumptions and reserves which would produce no surplus or deficit at the current level of contributions.

Surplus (Shortfall)





NEXT VALUATION

The next valuation should be effective no later than December 31, 2009 for the purpose of filing with regulatory authorities. The funding policy indicates valuations are to be done annually.

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 October 5, 2007. On a going-concern basis, there is a surplus of \$4.368 million in the Annuity Fund on the minimum funding basis; on a solvency basis, there is a surplus of \$0.718 million.

MANDATORY RETIREMENT

The eventual effect of the elimination of mandatory retirement on the liabilities is difficult to gauge at this time. In the valuation, members who are 65 or older are assumed to retire immediately. To the extent that members continue to work beyond these ages there may be losses in respect of the current service cost (that is, the effect of providing additional service to an over-65 member has not been included in the determination of the current service cost) but these losses will be offset by gains due to later commencement of the pension. As experience with the elimination of mandatory retirement develops, we may find it appropriate to adjust our retirement assumption.

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

Respectfully submitted,

ECKLER LTD.

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October 5, 2007



Section 2 Asset Data

1. Assets at December 31, 2006

At December 31, 2006, the assets of the plan were as follows:

(thousands of dollars)

Investments	
Short Term	\$23,225
Bonds	380,199
Equities	407,123
Pooled Funds	505,301
Mortgages	569
Real Estate	<u>66,635</u>
	\$1,383,052
Cash	159
Accrued Income	4,656
Net Receivables	3,061
Assets attributable to annuity fund*	<u>(\$36,920)</u>
	\$1,354,008

- * 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. Summary of Change in Net Assets

The following summarizes the changes in net assets for the full year 2006 based on the audited statements prepared by the Public Employees Benefits Agency (PEBA) for 2006.

	2006 (thousands of dollars)
At start	\$1,220,631
Employee contributions	17,777
Employer contributions	17,609
Transfers-in	439
Transfer to annuity fund ¹	0
Investment income	59,239
Change in market value	103,616
Pensions paid	(32,342)
Transfers, refunds etc.	(27,221)
Administration costs	(2,469)
Investment & custodial fees	<u>(3,271)</u>
At end	\$1,354,008
Rate of return ²	13.22%

Notes:

1. This amount is in respect of plan members who had some defined contribution liabilities under the former municipal plan. On retirement in 2006, these amounts were transferred to the Retirement Annuity portion of the fund.
2. The rate of return is net of investment expenses and assumes that all cash flows occur on July 1.

3. Adjustment for new Annuities in 2006

A number of annuities were established in 2006 from defined benefit contributions under the former plan or excess contributions under the current plan where no corresponding transfer of funds was made to the Retirement Annuity portion of the fund. We have determined that the appropriate amount to be transferred in respect of these annuities is \$292,000 as of December 31, 2006. Therefore, the market value has been adjusted downward to \$1,353,716,000 to reflect this amount.



Section 3 Minimum Funding Valuation

1. Funding Policy

In accordance with the funding policy actuarial assumptions for minimum funding are to be determined by the actuary as best estimate assumptions, modified to include the minimum margins or provision for adverse deviations that may be required by any relevant regulatory or professional body. The best estimate assumptions will include an assumption about the future investment return on plan assets, net of investment-related expenses, used to discount future liabilities. The future investment return assumption will be determined with due consideration to the investment policy.

2. Actuarial Assumptions, Methods and Reserves

In this section we describe the actuarial assumptions, methods and reserves that are specific to the minimum funding valuation. All other assumptions and methods used in the minimum funding valuation are described in Section 8.

a. Actuarial Assumptions

For the minimum funding valuation we have assumed that future investment returns will be 6.00%.

This rate is based on our analysis of expected investment returns, reduced by investment related expenses of 0.25% and by a minimum margin for adverse deviations of 0.25%. Expected investment returns were determined to be approximately 6.6% gross, based on current market yields on fixed income investments and recognizing appropriate risk premiums for the equity and real estate components of the current investment mix. The investment mix is shown below.

	Investment Mix
Bonds and Mortgages	36.0%
Equity	
Canada	21.0%
U.S.	18.0%
Global/EAFE	18.0%
Real Estate	5.0%
Money Market	<u>2.0%</u>
	100.0%

In the previous funding valuation we also assumed that the investment return would be 6.0%.



b. Methods

For the asset value we use a method which smoothes out the investment returns over a period of 5 years. We calculate the investment return assuming that the fund earned 6.0% each year net of investment management fees (the investment return assumption for minimum funding) and the balance of the actual investment income is smoothed over 5 years. In 2006, for example, an investment return of 6.0% would have required investment earnings of \$74.524 million. Actual earnings for 2006 were \$164.147 million net of investment management fees and the excess of \$89.623 million is recognized at the rate of 20% over the 5 years 2006 to 2010.

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 (including annuity fund)		\$1,390,928
2006 excess over 6%	\$89,623	Unrecognized (80%) (71,699)
2005 excess over 6%	\$65,800	Unrecognized (60%) (39,480)
2004 excess over 6%	\$53,636	Unrecognized (40%) (21,454)
2003 excess over 6%	\$77,871	Unrecognized (20%) <u>(15,574)</u>
Actuarial value of total fund (incl. annuity fund)		\$1,242,721
		or 89.345% of market value

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

Market value		\$1,353,716
Investment Reserve (10.655%)		<u>(144,238)</u>
Actuarial Value (89.345%)		\$1,209,478

c. Reserves

In accordance with the funding policy, reserves under the minimum funding valuation will be established as follows (in lieu of an explicit assumption where relevant):

- i) Administration expenses – the present value of full administration expenses for a 3-year period following the valuation date.

The total administration expenses in the last 3 years were \$6.707 million or an average of \$2.236 million per year. The expense reserve for the minimum funding valuation is the present value at 6% of the full expenses assumed to be \$2.236 million per year for the period to the next



valuation date, or \$6.380 million including a component for future inflation.

- ii) Excess normal cost – the present value of the excess, if any, of normal costs over the fixed contributions at current rates, for a 3-year period following the valuation date. We have established a reserve of \$27.904 million for regular staff and \$1.748 million for emergency staff.
- iii) Accruals for disabled members – the present value of all future accruals of presently disabled members. We have established a reserve of \$2.376 million to cover all the future accruals of the currently disabled members.

3. Financial Position under Minimum Funding Valuation

Based on the asset information from Section 2, the Plan provisions summarized in Section 7, the membership data summarized in Section 9, and the actuarial assumptions, methods and reserves outlined in this section, the results of the minimum funding valuation at December 31, 2006 compared with the results of the funding valuation at December 31, 2005 (the effective date of the last full valuation) were as follows:

	(thousands of dollars)	
	<u>December 31, 2006</u>	<u>December 31, 2005</u>
Assets at market value	\$1,353,716	\$1,220,631
Investment reserve	<u>(144,238)</u>	<u>(97,126)</u>
Net assets	\$1,209,478	\$1,123,505
Regular members	\$564,984	\$526,357
Emergency members	43,422	43,596
Disabled members	6,412	4,841
Pensioners	389,211	374,330
Survivors	30,341	27,796
Deferred pensioners	51,504	50,265
Pending	36,708	32,161
Former Plan accums.	117	166
Voluntary conts.	<u>91</u>	<u>20</u>
Liabilities	\$1,122,790	\$1,059,532
Liability reserve	32,027	26,914
Expense reserve	<u>6,380</u>	<u>32,287</u>
Liabilities and reserves	\$1,161,197	\$1,118,733
Surplus	\$48,281	\$4,772



4. Summary of Changes in Financial Position

At the previous valuation, the surplus reported was \$4,772,000. At this valuation the surplus under the minimum funding valuation is \$48,281,000. The changes in financial position may be summarized as follows:

	\$000's
Surplus at the previous valuation	\$4,772
Interest on surplus at 6.0% for one year	286
Fund earning more than 6.0% ¹	45,845
Demographic experience ²	(3,743)
Salary loss ³	(5,010)
Interest credits on contributions higher than assumed ⁴	(5,724)
Pensioner mortality gain ⁵	3,300
Pensioners omitted from previous valuation ⁶	(154)
New entrants ⁷	114
Change in expense reserve ⁸	25,301
Change in liability reserve ⁹	(14,635)
Balancing item ¹⁰	<u>(2,071)</u>
Surplus at this valuation	\$48,281

Notes:

1. In 2006, the fund has earned, on the basis of the “actuarial” asset values used in the minimum funding valuation, a rate of return net of investment expenses of 10.13% compared with the 6.0 % assumed in the previous valuation. This has produced an investment gain of \$45,845,000.
2. We reran the previous valuation for the active members assuming that we had correctly forecast all the decrements and resulting benefit payments. On that basis we determined that the liabilities determined at December 31, 2005 were less than the required amount. The difference with interest at 6.0% for one year amounts to \$3,743,000 at December 31, 2006.
3. We reran the valuation for the active members common to both this valuation and the previous valuation, using the actual 2005 salaries and 2006 YMPE increased by the assumed rates for one year. The liabilities were less than those produced using actual 2006 salaries and the 2007 YMPE.
4. In the previous valuation, we assumed that the interest credited to member contribution accounts would be 6.0% per annum. In the 12 month period since the previous valuation, the actual rate has been somewhat higher than this – we estimate about 12.0% per annum. This has the effect of increasing member contribution accounts more than expected and hence triggering higher liabilities under the 50% rule. We estimate an additional liability of \$5,724,000 at December 31, 2006.



5. More pensioners died in the period than was projected and this has led to a gain of \$3,300,000 at December 31, 2006.
6. At the previous valuation, four pensioners were omitted from the data. We have determined that there is an additional liability of \$154,000 when these are included at December 31, 2006.
7. New entrants in the period who are still active at the valuation date accrued fewer benefits than the accumulated matching contributions and amounts from the reserve to fund excess current service costs. We estimate the excess to be \$114,000 at December 31, 2006.
8. At December 31, 2005, we established a reserve for expenses of \$32.287 million. If we add interest to this amount at 6.0% and debit the result by the expenses actually paid, the expected reserve at December 31, 2006 is \$31.681 million. But under the minimum funding valuation our reserve has been reduced to \$6.380 million – a decrease of \$25.301 million.
9. In the previous valuation, we provided a reserve for the shortfall in the contribution rate for the years 2006 through 2008. If we add interest at 6.0% and debit the result by the amount set aside to fund the shortfall in 2006, the expected reserve at December 31, 2006 would be \$17.392 million. But under the minimum funding valuation, the reserve required is \$32.027 million – an increase of \$14.635 million.
10. This reconciliation involves a number of approximations and the balancing item of \$2,071,000 represents 0.18% of liabilities and reserves, within our materiality level of 0.5% for this process.



5. Current Service Cost

Regular staff contribute 5.4% and emergency staff 7.3% of earnings with employers matching these contributions. Under the minimum funding valuation the cost of future benefit accruals is somewhat higher than those matching contributions. The excess is the “excess normal cost” referred to in the funding policy, and the value of the excess normal cost for 3 years after the valuation date is included within the liability reserve shown in the financial position of the plan.

The following tables show the current service cost as a percentage of salary and as a dollar amount and compares these with the total matching contributions:

	% of Salary		
	Regular	Emergency	Total
Current service cost	14.1	19.1	14.3
Expected member contributions	5.4	7.3	5.5
Expected employer contributions	5.4	7.3	5.5
Excess normal cost	3.3	4.5	3.3

	Thousands of Dollars		
	Regular	Emergency	Total
Current service cost	42,999	2,697	45,696
Expected member contributions	16,430	1,031	17,461
Expected employer contributions	16,430	1,031	17,461
Excess normal cost	10,139	635	10,774



Section 4 Maximum Funding Valuation

1. Funding Policy

In accordance with the funding policy actuarial assumptions and reserves for the maximum funding valuation are to be the same as for the minimum funding valuation, with two exceptions:

- i. Administration expenses – may be established as a target reserve amount necessary to cover all administration expenses applicable to benefits earned to date.
- ii. The assumed rate of return on plan assets, net of investment-related expenses, will be determined as the effective interest rate equivalent to the market yield on Canada bonds, 10-years and over, plus 0.50%.

2. Actuarial Assumptions, Methods and Reserves

In this section we describe the actuarial assumptions, methods and reserves that are specific to the maximum funding valuation. All other assumptions and methods used in the minimum funding valuation are described in Section 8.

a. Actuarial Assumptions

As of the date of the valuation the nominal market yield on Canada bonds, 10-years and over was 4.15%. Thus for the maximum funding valuation we have assumed that future investment returns will be 4.75% (rounded to nearest 0.25%).

b. Methods

For the asset value we use a method which smoothes out the investment returns over a period of 5 years. We calculate the investment return assuming that the fund earned 4.75% each year net of investment management fees (the investment return assumption for maximum funding) and the balance of the actual investment income is smoothed over 5 years. In 2006, for example, an investment return of 4.75% would have required investment earnings of \$58.998 million. Actual earnings for 2006 were \$164.147 million net of investment management fees and the excess of \$105.149 million is recognized at the rate of 20% over the 5 years 2006 to 2010.



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 (including annuity fund)			\$1,390,928
2006 excess over 4.75%	\$105,149	Unrecognized (80%)	(84,119)
2005 excess over 4.75%	\$79,992	Unrecognized (60%)	(47,995)
2004 excess over 4.75%	\$66,621	Unrecognized (40%)	(26,648)
2003 excess over 4.75%	\$89,355	Unrecognized (20%)	(17,871)
Actuarial value of total fund (incl. annuity fund)			\$1,214,295
		or	87.301% of market value

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

Market value		\$1,353,716
Investment Reserve (12.699%)		<u>(171,908)</u>
Actuarial Value (87.301%)		\$1,181,808

c. Reserves

In accordance with the funding policy, reserves for the maximum funding valuation are to be the same as for the minimum funding valuation, with one exception:

Administration expenses – may be established as a target reserve amount necessary to cover all administration expenses applicable to benefits earned to date.

The total administration expenses in the last 3 years were \$6.71 million or an average of \$2.24 million per year – about 4.5% of benefits paid. Thus our target reserve is established at 4.5% of benefits (liabilities) or \$60.242 million.



3. Financial Position under Maximum Funding Valuation

Based on the asset information from Section 2, the Plan provisions summarized in Section 7, the membership data summarized in Section 9, and the actuarial assumptions, methods and reserves outlined in this section the results of the maximum funding valuation at December 31, 2006 compared with the results of the funding valuation at December 31, 2005 (the effective date of the last full valuation) were as follows:

	(thousands of dollars)	
	<u>December 31, 2006</u>	<u>December 31, 2005</u>
Assets at market value	\$1,353,716	\$1,220,631
Investment reserve	<u>(171,908)</u>	<u>(97,126)</u>
Net assets	\$1,181,808	\$1,123,505
Regular members	\$696,806	\$526,357
Emergency members	53,800	43,596
Disabled members	7,677	4,841
Pensioners	440,652	374,330
Survivors	33,508	27,796
Deferred pensioners	61,164	50,265
Pending	44,892	32,161
Former Plan accums.	117	166
Voluntary conts.	<u>91</u>	<u>20</u>
Liabilities	\$1,338,707	\$1,059,532
Liability reserve	69,150	26,914
Expense reserve	<u>60,242</u>	<u>32,287</u>
Total liabilities and reserves	\$1,468,099	\$1,118,733
Surplus (Deficit)	(\$286,291)	\$4,772



4. Current Service Cost

Regular staff contribute 5.4% and emergency staff 7.3% of earnings with employers matching these contributions. Under the maximum funding valuation the cost of future benefit accruals is higher than those matching contributions. The excess is the “excess normal cost” referred to in the funding policy, and the value of the excess normal cost for 3 years after the valuation date is included within the liability reserve shown in the financial position of the plan.

The following tables show the current service cost as a percentage of salary and as a dollar amount and compares these with the total matching contributions:

	% of Salary		
	Regular	Emergency	Total
Current service cost	18.1	24.4	18.4
Expected member contributions	5.4	7.3	5.5
Expected employer contributions	5.4	7.3	5.5
Excess normal cost	7.3	9.8	7.4

	Thousands of Dollars		
	Regular	Emergency	Total
Current service cost	55,077	3,442	58,519
Expected member contributions	16,430	1,031	17,461
Expected employer contributions	16,430	1,031	17,461
Excess normal cost	22,217	1,380	23,597



Section 5 Solvency Valuation

1. Funding Policy

A solvency valuation assumes that the plan is terminated and wound-up on the valuation date and that benefits are settled through the purchase of annuities and the transfer-out of commuted values.

In accordance with the funding policy solvency valuation results will be prepared on a basis consistent with the requirements of *The Pension Benefits Act, 1992* and accepted actuarial practice, and on two alternative bases:

1. Reflecting all benefits and terms as provided in the Act and regulations, including benefits and future benefits established by policies adopted by the Commission (e.g. “additional allowances”).
2. As in #1 above, but excluding any future additional allowances that would be granted solely as a result of existing policies adopted by the Commission.

2. Actuarial Assumptions, Methods and Reserves

In this section we describe the actuarial assumptions, methods and reserves that are specific to the solvency valuation.

a. Assumptions

- i. Salary Projection - A salary projection is not required as the accrued benefits are based on the salary history as of the wind-up date.
- ii. Commuted Value - We assume that all members not eligible to retire immediately would transfer the lump sum commuted value out of the Plan. 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 2006 (specifically by assuming mortality in accordance with UP94@2015, unisex rates 50% male and using a discount rate of 4.75%).
- iii. Annuity Purchase - We assume that annuities would be purchased for all current pensioners and all other members eligible to retire immediately. The purchase price for annuities is approximated by assuming mortality in accordance with the UP94@2015 mortality table and a discount rate of 4.6%. This is the basis recommended by the Canadian Institute of Actuaries for the valuation of immediate pensions in solvency valuations at December 31, 2006. We have used unisex mortality rates assuming 50% male.



b. Methods

The liability is determined to be the present value at the valuation date of future pension payments.

c. Reserves

No reserves are required, other than for the expenses required for plan wind-up which are assumed to be \$300 per member (in all categories).

3. Financial Position under the Solvency Valuation

Based on the assumptions, and methods described in this section, the Plan provisions summarized in Section 7 and the membership data summarized in Section 8 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	\$1,353,716	\$1,353,716
Expenses of plan wind-up	<u>(5,902)</u>	<u>(5,902)</u>
Net assets for solvency purposes	\$1,347,814	\$1,347,814
Regular staff	693,286	613,786
Emergency staff	55,389	46,632
Disabled Members	7,746	6,830
Pensioners	447,617	376,201
Survivors	33,929	29,203
Deferred pensioners	60,894	53,305
Pending	44,887	40,946
Former Plan accumulations	117	117
Voluntary contributions	<u>91</u>	<u>91</u>
Total	1,343,956	1,167,111
Excess/(Shortfall)	\$3,858	\$180,703

4. Required Special Payments

As there is a surplus on both bases, no special payments are required.

5. Comments

As there is a surplus on both bases, we would therefore conclude that the plan may continue to provide the 2% indexing to benefits in respect of pre-1999 service.



Section 6 Current Funding Adequacy

1. Comparison of Minimum and Maximum Funding

a. Financial Position

A comparison of the financial position under the minimum and maximum funding valuations as at December 31, 2006 is as follows:

	(thousands of dollars)	
	Minimum Funding	Maximum Funding
Assets at market value	\$1,353,716	\$1,353,716
Investment reserve	<u>(144,238)</u>	<u>(171,908)</u>
Net assets	\$1,209,478	\$1,181,808
Liabilities	\$1,122,790	\$1,338,707
Liability reserve	32,027	69,150
Expense reserve	<u>6,380</u>	<u>60,242</u>
	\$1,161,197	\$1,468,099
Surplus/Deficit	\$48,281	(\$286,291)
As a percentage of market value	3.6 %	(21.1%)

b. Current Service Cost

A comparison of the current service cost as a percentage of salary and as dollar amounts under the minimum and maximum funding valuations is as follows:

	(% of Salary)	
	Minimum Funding	Maximum Funding
Current service cost	14.3	18.4
Expected contributions	11.0	11.0
Excess normal cost	3.3	7.4

	(thousands of dollars)	
	Minimum Funding	Maximum Funding
Current service cost	45,696	58,519
Expected contributions	34,922	34,922
Excess normal cost	10,774	23,597



2. Comments

Under the funding policy (excerpts of which are reproduced in this section), action is required in situations where there is either:

- a. a shortfall (i.e. deficit) on the minimum funding basis,
- b. an excess surplus, as defined under the *Income Tax Act*, on the maximum funding basis, or
- c. where a solvency deficiency exists when future additional allowances are excluded from the liabilities.

As there is a surplus on the minimum funding basis, a deficit on the maximum funding basis, and a surplus on both bases used for the solvency valuation, no actions are required at this time. However, in accordance with the funding policy, the Commission may also determine that action should be taken when a minimum funding valuation does not have a shortfall, but where the surplus is small or where the excess of normal cost over current contributions is large.

Current contributions of 5.4% of salary for regular staff and 7.3% for emergency staff, matched by the employers, are insufficient to fund benefits accruing in each year (referred to as the excess normal cost). Under minimum funding, a reserve to cover the excess normal cost for the next 3 years is established and the surplus generated on this basis is sufficient to cover an additional 5 years of the excess normal cost. The existence of a large investment reserve at this time, which would cover several more years of shortfall, suggests that there is no need to consider any action at this time.

3. Funding Policy

The funding policy indicates that in certain situations action must or may be taken as follows:

Minimum Funding Valuation

If the results of a minimum funding valuation indicate that a shortfall exists in the funding of the plan (i.e. liabilities and reserves exceed the assets of the plan), then some action is required to either increase contributions to the plan or decrease benefits. The actions to be taken in this event can include any combination of:

- a. Change existing policy regarding granting future additional allowances.
- b. Suspend, cancel or reduce existing additional allowances that have been granted in accordance with policies previously adopted by the Commission.



- c. Cause contributions to the fund to be increased, by way of existing provisions in the Act and by making a recommendation to the Lieutenant Governor in Council regarding the manner of determining the amount of member contributions.
- d. Make recommendations to the Legislature regarding benefit changes appropriate to the financial circumstances of the plan.

The Commission may also determine that any of the above actions should be taken when a minimum funding valuation does not have a shortfall, but where the surplus is small or where the excess of normal cost over current contributions is large.

Maximum Funding Valuation

If the results of a maximum funding valuation indicate that a surplus exists, the Commission should consider actions to eliminate or reduce the surplus. Some action must be taken if the surplus is sufficient that an excess surplus situation under the *Income Tax Act* cannot be avoided. The actions to be taken can include any combination of:

1. Fund current service cost shortfall.
2. Change policy or grant additional allowances, as allowed under the Act.
3. Cause contributions to the fund to be decreased, by way of existing provisions in the Act and by making a recommendation to the Lieutenant Governor in Council regarding the manner of determining the amount of member contributions.
4. Make recommendations to the Legislature regarding benefit improvements appropriate to the financial circumstances of the plan.

The Commission may also determine that any of the above actions should be taken when a maximum funding valuation does not have a surplus, but where the shortfall on a maximum funding basis is small or where the excess of current contributions over normal cost is large.



Solvency Valuation

If a solvency valuation indicates a solvency deficiency exists when future additional allowances are excluded from the liabilities, then action must be taken. The action to be taken in this event can include any combination of the following as may be necessary to satisfy regulatory solvency funding requirements:

1. Suspend, cancel or reduce existing additional allowances that have been granted in accordance with policies previously adopted by the Commission.
2. Cause contributions to the fund to be increased, by way of existing provisions in the Act and by making a recommendation to the Lieutenant Governor in Council regarding the manner of determining the amount of member contributions.
3. Make recommendations to the Legislature regarding benefit changes appropriate to the financial circumstances of the plan.



Section 7 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, 2006.

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 named 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.



Section 8 Actuarial Assumptions, and Methods

1. Economic Assumptions

The economic assumptions used in the minimum and maximum funding valuations are as follows. In this report we use different investment return assumptions for the minimum and maximum funding valuations. Otherwise, the assumptions are the same as used in the previous valuation, except where noted.

- a) *Inflation = 2.5% per annum.* This long-term assumption reflects long-term expectations in the marketplace at the valuation date, rounded to the nearest 0.25%.
- b) *Investment Return = 6.00%*, minimum funding valuation
Investment Return = 4.75%, maximum funding valuation
The derivation of these assumptions is described in Sections 3 and 4, respectively.
- 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%.

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

<u>Years of Service</u>	<u>Regular Employees</u>	<u>Emergency Employees</u>
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 \$43,700 in 2007 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 from \$2,222 in 2007, to \$2,333 in 2008 and to \$2,444 in 2009 and would increase thereafter at 3.5% per annum.



2. Demographic assumptions

These are the same as used at the previous valuation.

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, 2006, we have assumed that there is a 50% probability that they will retire at June 30, 2007 and a 50% probability that they will retire at age 65.

Emergency Staff

For the emergency staff, we have assumed that 100% will retire when they are first entitled to an unreduced pension.

b) *Termination of Membership*

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

	<u>Annual Rate</u>
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, if not already included in the data, from July 1, 1988, or the date of disability if later, to December 31, 2006.

We have not made any allowance for future disabilities.



3. Actuarial Method

(a) Liabilities

For both the minimum and maximum funding valuations, 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.



Section 9 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, 2006. They were reconciled and checked for consistency with the previous valuation data.

The data included pensionable salary and in-year credited service amounts for 2004, 2005 and 2006. We annualized the salary amounts by dividing the pensionable salary by the credited service in the year. If the 2006 salary was zero as it was for 193 of the active members, we assumed that it should be \$20,000.

1. Membership Reconciliation

A. ACTIVES

	Regular	LTD	Emergency	Total
At December 30, 2005	11,103	55	219	11,377
Retired	(155)	(2)	(5)	(162)
Termination & Deaths				
Deferred	(32)	0	0	(32)
Pending	(719)	0	(3)	(722)
Paid Out	(308)	(2)	(7)	(317)
Status Change				
Regular to LTD	(17)	17	0	0
LTD to Regular	<u>3</u>	<u>(3)</u>	<u>0</u>	<u>0</u>
Members at December 31, 2006 who were active at December 31, 2005	9,875	65	204	10,144
New Members	1,440	1	24	1,465
Reinstatements From Pending	309	7	4	320
At December 31, 2006	11,624	73	232	11,929



B. PENSIONERS AND SURVIVORS

	Pensioners	Survivors
At December 31, 2005	2,996	682
Data adjustments	1	
Pensioners who should have been included in previous valuation	1	3
Deaths – with continuing payments *	(78)	80
- with no further payments	(40)	(40)
New pensioners		
from regular staff	155	
from disabled staff	2	
from emergency staff	5	
from deferred pensioners	27	
from pending members	13	
from marriage split	2	
At December 31, 2006	3,084	725

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

C. DEFERRED PENSIONERS

At December 31, 2005	1,829
Retired	(27)
Termination or death – paid-out	(51)
Transfer to pending members	0
Reinstated to regular staff	0
Transfer from regular staff	32
Transfer from pending members	49
Missed at last valuation	<u>6</u>
At December 31, 2006	1,838



D. PENDING MEMBERS

At December 31, 2005	1,977
Data adjustments	1
Retired	(13)
Termination or death – paid-out	(395)
Transfer to regular staff	(309)
to emergency staff	(4)
to disabled staff	(7)
to deferred pensioners	(49)
Transfer from regular staff	719
from emergency staff	3
from disabled staff	0
from deferred pensioners	0
Members who joined plan since Dec 31, 2005	<u>189</u>
At December 31, 2006	2,112

2. Membership Summary – Active Males (except emergency)

Age		Service						Total	
		0-5	5-10	10-15	15-20	20-25	25-30		30+
16-24	Number	107	1	-	-	-	-	-	108
	Salary	2,991,323	34,123	-	-	-	-	-	3,025,446
	Avg Salary	27,956	34,123	-	-	-	-	-	28,013
25-29	Number	167	34	1	-	-	-	-	202
	Salary	5,395,261	1,246,358	33,735	-	-	-	-	6,675,354
	Avg Salary	32,307	36,658	33,735	-	-	-	-	33,046
30-34	Number	155	65	17	-	-	-	-	237
	Salary	5,444,265	2,471,949	714,285	-	-	-	-	8,630,498
	Avg Salary	35,124	38,030	42,017	-	-	-	-	36,416
35-39	Number	177	78	34	22	6	-	-	317
	Salary	5,972,764	3,000,348	1,482,539	957,388	253,513	-	-	11,666,550
	Avg Salary	33,744	38,466	43,604	43,518	42,252	-	-	36,803
40-44	Number	194	115	77	78	66	10	-	540
	Salary	5,905,937	4,090,942	3,107,528	3,388,406	2,915,194	471,591	-	19,879,600
	Avg Salary	30,443	35,573	40,358	43,441	44,170	47,159	-	36,814
45-49	Number	245	163	68	103	90	75	6	750
	Salary	7,896,588	5,418,675	2,483,700	4,241,862	4,192,873	3,453,369	225,235	27,912,290
	Avg Salary	32,231	33,243	36,525	41,183	46,587	46,045	37,539	37,216
50-54	Number	217	118	91	103	85	62	31	707
	Salary	6,839,459	4,035,608	3,569,434	3,977,796	4,132,680	2,958,566	1,411,648	26,925,210
	Avg Salary	31,518	34,200	39,225	38,619	48,620	47,719	45,537	38,084
55-59	Number	163	134	65	77	60	48	47	594
	Salary	5,342,070	3,933,631	2,446,357	2,762,659	2,695,147	2,079,227	2,268,708	21,527,810
	Avg Salary	32,773	29,355	37,636	35,879	44,919	43,317	48,270	36,242
60-69	Number	149	125	50	54	38	25	22	463
	Salary	4,057,123	3,476,606	1,846,759	1,925,509	1,480,745	1,141,464	844,327	14,772,530
	Avg Salary	27,229	27,813	36,935	35,658	38,967	45,659	38,378	31,906
Total	Number	1,574	833	403	437	345	220	106	3,918
	Salary	49,844,730	27,708,250	15,684,330	17,253,620	15,670,150	10,104,220	4,749,917	141,015,300
	Avg Salary	31,668	33,263	38,919	39,482	45,421	45,928	44,811	35,992

3. Membership Summary – Active Females (except emergency)

Age		Service							Total
		0-5	5-10	10-15	15-20	20-25	25-30	30+	
16-24	Number	231	-	-	-	-	-	-	231
	Salary	5,233,247	-	-	-	-	-	-	5,233,247
	Avg Salary	22,655	-	-	-	-	-	-	22,655
25-29	Number	393	51	1	-	-	-	-	445
	Salary	9,966,920	1,451,756	46,424	-	-	-	-	11,465,100
	Avg Salary	25,361	28,466	46,424	-	-	-	-	25,764
30-34	Number	499	153	20	1	-	-	-	673
	Salary	12,459,630	4,517,385	616,218	38,958	-	-	-	17,632,200
	Avg Salary	24,969	29,525	30,811	38,958	-	-	-	26,199
35-39	Number	583	265	55	36	2	-	-	941
	Salary	13,595,950	6,824,205	1,758,388	1,246,024	49,264	-	-	23,473,830
	Avg Salary	23,321	25,752	31,971	34,612	24,632	-	-	24,946
40-44	Number	692	452	118	98	50	12	-	1,422
	Salary	16,413,710	11,205,100	3,471,276	3,493,817	1,895,796	486,734	-	36,966,430
	Avg Salary	23,719	24,790	29,418	35,651	37,916	40,561	-	25,996
45-49	Number	562	465	217	175	78	46	6	1,549
	Salary	13,064,550	11,269,790	5,896,658	5,572,997	2,934,478	1,780,731	285,056	40,804,290
	Avg Salary	23,247	24,236	27,174	31,846	37,622	38,712	47,509	26,342
50-54	Number	366	331	174	212	114	40	19	1,256
	Salary	8,872,818	7,964,795	4,830,072	6,304,725	3,894,064	1,619,210	701,904	34,187,590
	Avg Salary	24,243	24,063	27,759	29,739	34,158	40,480	36,942	27,219
55-59	Number	177	193	98	172	114	45	18	817
	Salary	4,560,844	4,753,006	2,618,570	4,592,494	3,645,775	1,497,944	619,116	22,287,770
	Avg Salary	25,767	24,627	26,720	26,701	31,980	33,288	34,395	27,280
60-69	Number	74	97	39	62	40	37	23	372
	Salary	1,700,487	2,115,679	981,444	1,703,179	1,083,284	998,877	826,150	9,409,096
	Avg Salary	22,980	21,811	25,165	27,471	27,082	26,997	35,920	25,293
Total	Number	3,577	2,007	722	756	398	180	66	7,706
	Salary	85,868,230	50,101,660	20,219,060	22,952,200	13,502,660	6,383,496	2,432,226	201,459,400
	Avg Salary	24,006	24,963	28,004	30,360	33,926	35,464	36,852	26,143

4. Membership Summary – Active Emergency Males

Age		Service							Total
		0-5	5-10	10-15	15-20	20-25	25-30	30+	
16-24	Number	4	-	-	-	-	-	-	4
	Salary	175,154	-	-	-	-	-	-	175,154
	Avg Salary	43,788	-	-	-	-	-	-	43,788
25-29	Number	27	5	-	-	-	-	-	32
	Salary	1,312,149	291,242	-	-	-	-	-	1,603,391
	Avg Salary	48,598	58,248	-	-	-	-	-	50,106
30-34	Number	19	12	7	-	-	-	-	38
	Salary	983,810	726,954	478,392	-	-	-	-	2,189,156
	Avg Salary	51,779	60,580	68,342	-	-	-	-	57,609
35-39	Number	7	15	12	4	-	-	-	38
	Salary	402,045	921,365	827,224	223,820	-	-	-	2,374,455
	Avg Salary	57,435	61,424	68,935	55,955	-	-	-	62,486
40-44	Number	5	-	8	15	6	1	-	35
	Salary	225,594	-	474,696	976,973	473,708	48,848	-	2,199,818
	Avg Salary	45,119	-	59,337	65,132	78,951	48,848	-	62,852
45-49	Number	2	3	2	6	5	5	-	23
	Salary	81,164	155,419	112,786	424,096	403,702	286,251	-	1,463,418
	Avg Salary	40,582	51,806	56,393	70,683	80,740	57,250	-	63,627
50-54	Number	4	-	2	4	4	5	5	24
	Salary	222,885	-	150,087	210,087	266,171	365,088	384,786	1,599,104
	Avg Salary	55,721	-	75,044	52,522	66,543	73,018	76,957	66,629
55-59	Number	3	2	1	-	1	3	3	13
	Salary	209,850	87,899	49,050	-	65,429	229,679	194,373	836,279
	Avg Salary	69,950	43,949	49,050	-	65,429	76,560	64,791	64,329
60-69	Number	1	-	1	1	-	-	-	3
	Salary	20,561	-	43,200	65,082	-	-	-	128,843
	Avg Salary	20,561	-	43,200	65,082	-	-	-	42,948
Total	Number	72	37	33	30	16	14	8	210
	Salary	3,633,212	2,182,878	2,135,435	1,900,057	1,209,010	929,866	579,159	12,569,620
	Avg Salary	50,461	58,997	64,710	63,335	75,563	66,419	72,395	59,855

5. Membership Summary – Active Emergency Females

Age		Service						Total	
		0-5	5-10	10-15	15-20	20-25	25-30		30+
16-24	Number	2	-	-	-	-	-	-	2
	Salary	93,270	-	-	-	-	-	-	93,270
	Avg Salary	46,635	-	-	-	-	-	-	46,635
25-29	Number	1	-	-	-	-	-	-	1
	Salary	44,617	-	-	-	-	-	-	44,617
	Avg Salary	44,617	-	-	-	-	-	-	44,617
30-34	Number	3	-	2	-	-	-	-	5
	Salary	136,254	-	146,170	-	-	-	-	282,423
	Avg Salary	45,418	-	73,085	-	-	-	-	56,485
35-39	Number	2	1	-	1	-	-	-	4
	Salary	102,204	71,547	-	75,897	-	-	-	249,648
	Avg Salary	51,102	71,547	-	75,897	-	-	-	62,412
40-44	Number	1	1	1	-	1	-	-	4
	Salary	41,540	66,879	76,484	-	51,010	-	-	235,913
	Avg Salary	41,540	66,879	76,484	-	51,010	-	-	58,978
45-49	Number	-	1	-	-	1	1	-	3
	Salary	-	48,951	-	-	51,990	69,512	-	170,453
	Avg Salary	-	48,951	-	-	51,990	69,512	-	56,818
50-54	Number	-	-	1	1	-	-	-	2
	Salary	-	-	48,612	82,379	-	-	-	130,991
	Avg Salary	-	-	48,612	82,379	-	-	-	65,495
55-59	Number	-	1	-	-	-	-	-	1
	Salary	-	40,920	-	-	-	-	-	40,920
	Avg Salary	-	40,920	-	-	-	-	-	40,920
60-69	Number	-	-	-	-	-	-	-	-
	Salary	-	-	-	-	-	-	-	-
	Avg Salary	-	-	-	-	-	-	-	-
Total	Number	9	4	4	2	2	1	-	22
	Salary	417,884	228,297	271,265	158,276	103,001	69,512	-	1,248,235
	Avg Salary	46,432	57,074	67,816	79,138	51,500	69,512	-	56,738

6. Disabled Members

Age	Males			Females		
	Number	Pensionable Service	Average Salary	Number	Pensionable Service	Average Salary
25-29	0	0	0	0	0	0
30-35	0	0	0	1	1.43	24,167
35-39	1	8.53	35,357	2	20.8	31,413
40-44	2	15.35	29,506	3	14.62	27,432
45-49	6	83.75	32,018	6	71.15	22,287
50-54	15	165.05	29,830	8	96.79	27,796
55-59	5	60.67	29,745	11	130.96	26,805
60-64	4	72.64	35,377	8	159.75	29,319
65-69	1	25.75	23,333	0	0	0
	34	431.76	30,809	39	495.49	27,046

7. Pensioners

Age	Male			Female		
	Number	Monthly Pension	Monthly Bridge	Number	Monthly Pension	Monthly Bridge
0-49	10	15,163	2,336	4	4,249	849
50-54	58	103,028	15,843	23	30,861	5,708
55-59	123	207,115	31,471	113	80,251	17,187
60-64	207	293,846	54,190	234	135,685	29,903
65-69	443	418,560	2,649	262	142,897	802
70-74	377	315,990	0	213	95,339	0
75-79	368	254,714	0	123	50,658	0
80-84	204	113,934	0	104	42,066	0
85-89	121	55,868	0	44	13,441	0
90-94	35	9,673	0	14	2,918	0
95-99	4	622	0	0	0	0
Total	1,950	1,788,513	106,489	1,134	598,365	54,449

8. Survivors

<u>Age</u>	<u>Male</u>			<u>Female</u>		
	<u>Number</u>	<u>Monthly Pension</u>	<u>Monthly Bridge</u>	<u>Number</u>	<u>Monthly Pension</u>	<u>Monthly Bridge</u>
0-49	8	4,617	0	14	9,040	609
50-54	2	111	0	4	1,056	0
55-59	2	438	0	15	14,156	1,672
60-64	7	3,921	224	33	21,109	603
65-69	5	2,901	0	67	35,574	181
70-74	11	3,780	74	108	44,142	0
75-79	7	1,961	0	139	49,217	0
80-84	14	2,553	0	150	36,114	0
85-89	6	1,191	0	91	19,946	0
90-94	3	307	0	34	4,716	0
95-99	0	0	0	5	485	0
Total	65	21,780	298	660	235,555	3,065

9. Deferreds

<u>Age</u>	<u>Male</u>			<u>Female</u>		
	<u>Number</u>	<u>Monthly Pension</u>	<u>Monthly Bridge</u>	<u>Number</u>	<u>Monthly Pension</u>	<u>Monthly Bridge</u>
0-24	3	308	0	4	282	0
25-29	27	2,832	0	27	1,589	0
30-34	49	7,175	85	63	5,681	0
35-39	57	10,996	35	101	12,074	0
40-44	134	28,517	1,577	163	25,700	948
45-49	157	39,010	2,173	191	33,452	2,420
50-54	145	45,994	4,345	185	34,193	1,895
55-59	132	40,376	1,995	148	27,801	1,566
60-64	103	22,588	224	100	17,715	489
65-69	29	5,670	0	20	3,287	0
Total	836	203,466	10,434	1,002	161,774	7,318

10. Pending

<u>Age</u>	<u>Male</u>			<u>Female</u>		
	<u>Number</u>	<u>Monthly Pension</u>	<u>Monthly Bridge</u>	<u>Number</u>	<u>Monthly Pension</u>	<u>Monthly Bridge</u>
0-24	65	1,708	0	72	675	2
25-29	84	5,188	8	158	7,842	20
30-34	94	11,188	27	167	14,037	21
35-39	115	20,048	935	153	19,356	447
40-44	134	25,367	1,333	132	18,496	1,468
45-49	168	45,666	5,336	167	28,354	2,426
50-54	151	34,207	3,543	120	27,566	2,449
55-59	127	35,006	3,603	48	10,864	723
60-64	101	28,369	3,316	25	4,546	790
65-69	26	7,958	0	4	612	0
70-74	1	25	0	0	0	0
Total	1,066	214,730	18,101	1,046	132,347	8,346

Section 10 Actuarial Opinion

with respect to the Saskatchewan Municipal Employees Pension Plan forming part of the actuarial report dated October 5, 2007 on a valuation of the plan as at December 31, 2006.

In my opinion:

- a) the plan is fully funded at December 31, 2006 with a surplus of \$48.281 million while on a solvency basis the plan has an excess of solvency assets over solvency liabilities of \$3.858 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 November 5, 2007. On a going-concern minimum funding basis, there is a surplus of \$4.368 million; on a solvency basis, there is a surplus of \$0.718 million.
- c) the rule for computing the employer normal cost contribution for each year from January 1, 2007 to December 31, 2009 is that the employers should match the contributions made by the members. Estimated member contributions in 2007 are \$17.461 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 three 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 greater than the actuarial liabilities if the plan were to be wound-up on the valuation date.
- e) the plan has no solvency deficiency at the valuation date and the solvency ratio is not less than 1.0.
- f) the next valuation must be prepared no later than December 31, 2009.

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.

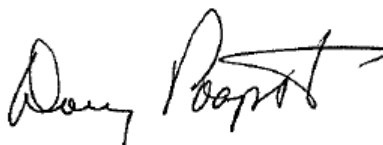
In my opinion:

- 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 5, 2007

Date



A. Douglas Poapst
Fellow of the Society of Actuaries
Fellow of the Canadian Institute of Actuaries

Section 11 Administrator's Certification

of the membership data submitted to Eckler Ltd. in connection with the actuarial valuation of the Saskatchewan Municipal Employees' Pension Plan as at December 31, 2006.

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.

October 24, 2007

Date

E. Ireland

Public Employees Benefits Agency
Plan Administrator