



**A Report on the
Actuarial Valuation of the
Saskatchewan Municipal Employees' Pension Plan
as at December 31, 2007**

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Table of Contents

Section 1	Executive Summary	1
Section 2	Asset Data	6
Section 3	Minimum Funding Valuation	8
Section 4	Maximum Funding Valuation	13
Section 5	Solvency Valuation	16
Section 6	Current Funding Adequacy.....	19
Section 7	Summary of Principal Plan Provisions	22
Section 8	Actuarial Assumption and Methods	26
Section 9	Membership Data Summary	29
Section 10	Actuarial Opinion.....	39
Section 11	Administrator's Certification	41

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, 2007. The previous valuation was effective as at December 31, 2006.

This valuation and the previous valuation are the first 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 a belief that market yields on long-term government bonds are the best unbiased measure of future investment performance for a lowest-risk investment portfolio, with allowance for a small incremental return.

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 either minimum funding (a small surplus) or maximum funding (a small deficit).

RESULTS

For the minimum and maximum funding valuations we have changed the assumption for real salary increases from 1% over inflation for all years to 2% for the first five years following the valuation and 1% thereafter. This change recognizes that wage increases in Saskatchewan are expected to be higher than average for at least the short-term.

Financial Position at December 31, 2007

A comparison of the financial position under the minimum and maximum funding valuations as at December 31, 2007 is as follows:

	(thousands of dollars)	
	Minimum Funding	Maximum Funding
Assets at market value	\$1,378,792	\$1,378,792
Investment reserve	<u>(67,133)</u>	<u>(68,940)</u>
Net assets	\$1,311,659	\$1,309,852
Liabilities and reserves	\$1,235,726	\$1,559,732
Surplus/Deficit	\$75,933	(\$249,880)
As a percentage of actuarial value	5.8%	(19.1%)

In addition, the solvency valuation produces a deficiency when future additional allowances, granted solely as a result of existing policies adopted by the Commission, are included and a surplus when they are 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	\$1,378,792	\$1,378,792
Expenses of plan wind-up	<u>(6,154)</u>	<u>(6,154)</u>
Net assets for solvency purposes	\$1,372,638	\$1,372,638
Total solvency liabilities	\$1,415,752	\$1,240,503
Excess/(Shortfall)	(\$43,114)	\$132,135

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	14.4	18.4
Expected contributions	11.0	11.0
Excess normal cost	3.4	7.4

	(thousands of dollars)	
	Minimum Funding	Maximum Funding
Current service cost	\$49,769	\$63,565
Expected contributions	37,758	37,758
Excess normal cost	12,011	25,807

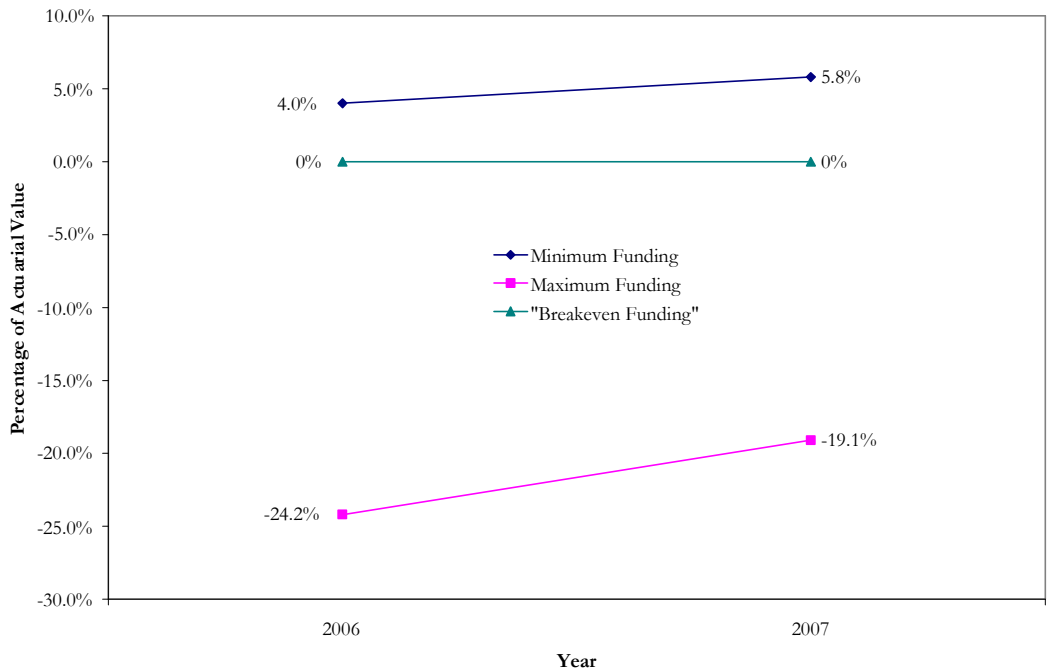
COMMENTS

As there is a surplus on the minimum funding basis, a deficit on the maximum funding basis, and a surplus on at least one basis 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 has a surplus, 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 general members and 7.3% for emergency members, 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, which has been increasing at every valuation since 2001. Under minimum funding, a reserve to cover the excess normal cost for the next 3 years is established and there remains a surplus beyond this reserve. Nevertheless, it would be prudent to consider changes now to address the growing imbalance between the cost of benefits accruing and the contributions coming in to the fund.

The relationship between the results of the minimum and maximum funding valuations is presented in the following chart for this and the previous valuation. Surplus or shortfall generated under each of minimum or maximum funding is shown as a percentage of the actuarial 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)



SUBSEQUENT EVENTS

We are not aware of any subsequent events that are relevant to the valuation.

NEXT VALUATION

The last valuation report filed with the regulatory authorities was effective December 31, 2006. The next valuation should therefore be effective no later than December 31, 2009, if this valuation is not filed, and no later than December 31, 2010 if it is. 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 May 2, 2008. On a going-concern basis, there is a surplus of \$3.536 million in the Annuity Fund on the minimum funding basis; on a solvency basis, there is a deficit of \$0.124 million.

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

Respectfully submitted,

ECKLER LTD.



A. Douglas Poapst, FSA, FCIA



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September 19, 2008

Section 2 Asset Data

1. Assets at December 31, 2007

At December 31, 2007, based on the audited financial statements, the assets of the plan measured at market value were as follows:

(thousands of dollars)

Investments	
Short Term	\$46,688
Bonds	263,243
Equities	383,782
Pooled Funds	631,528
Mortgages	534
Real Estate	<u>81,073</u>
	\$1,406,848
Cash	203
Accrued Income	3,170
Net Receivables	3,383
Assets attributable to annuity fund*	<u>(34,484)</u>
	\$1,379,120

- * 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 2007 based on the audited statements prepared by the Public Employees Benefits Agency (PEBA) for 2007.

	2007 (thousands of dollars)
At start	\$1,354,008
Employee contributions	19,211
Employer contributions	19,154
Transfers-in	1,226
Transfer to annuity fund ¹	(371)
Investment income	100,252
Change in market value	(42,641)
Pensions paid	(34,499)
Transfers, refunds etc.	(30,462)
Administration costs	(2,750)
Investment & custodial fees	<u>(4,008)</u>
At end	\$1,379,120
Rate of return ²	4.00%

Notes:

1. This amount is in respect of plan members who had some defined contribution liabilities under the former municipal plan. On retirement, 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 and 2007

A number of annuities were established in 2006 and 2007 from defined benefit contributions under the former plan or excess contributions under the current plan. For some of these annuities 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 \$328,000 as of December 31, 2007. Therefore, the market value has been adjusted downward to \$1,378,792,000 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	35%
Equity	
Canada	20%
U.S.	18%
Global/EAFE	18%
Real Estate	6%
Money Market	3%
	100%

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 fees (the investment return assumption for minimum funding) and the balance of the actual investment income is smoothed over 5 years. In 2007, for example, an investment return of 6.0% would have required investment earnings of \$82.486 million. Actual earnings for 2007 were \$55.003 million net of investment fees and the shortfall of \$27.483 million is recognized at the rate of 20% over the 5 years 2007 to 2011.

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)	\$1,413,604

2007 excess over 6%	(\$27,483)	Unrecognized (80%)	21,986
2006 excess over 6%	\$89,623	Unrecognized (60%)	(53,774)
2005 excess over 6%	\$65,800	Unrecognized (40%)	(26,320)
2004 excess over 6%	\$53,636	Unrecognized (20%)	<u>(10,727)</u>

Actuarial value of total fund (incl. annuity fund) \$1,344,769
 or 95.131% of market value

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

Market value		\$1,378,792
Investment Reserve (4.869%)		<u>(67,133)</u>
Actuarial Value (95.131%)		\$1,311,659

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 \$7.475 million or an average of \$2.492 million per year. The expense reserve for the minimum funding valuation is the present value at 6% of the expenses assumed to be \$2.492 million per year for the next 3 year period, or \$7.080 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 \$31.023 million for general members and \$2.031 million for emergency members.
- iii) Accruals for disabled members – the present value of all future accruals of presently disabled members. We have established a reserve of \$5.017 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, 2007 compared with the results of the funding valuation at December 31, 2006 (the effective date of the last full valuation) were as follows:

	(thousands of dollars)	
	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Assets at market value	\$1,378,792	\$1,353,716
Investment reserve	<u>(67,133)</u>	<u>(144,238)</u>
Net assets (actuarial value)	\$1,311,659	\$1,209,478
General members	\$604,705	\$564,984
Emergency members	44,582	43,422
Disabled members	9,724	6,412
Pensioners	406,586	389,211
Survivors	32,523	30,341
Deferred pensioners	50,146	51,504
Pending	42,103	36,708
Former Plan accounts	<u>206</u>	<u>208</u>
Liabilities	\$1,190,575	\$1,122,790
Liability reserve	38,071	32,027
Expense reserve	<u>7,080</u>	<u>6,380</u>
Liabilities and reserves	\$1,235,726	\$1,161,197
Surplus	\$75,933	\$48,281

4. Summary of Changes in Financial Position

At the previous valuation, the surplus reported was \$48,281,000. At this valuation the surplus under the minimum funding valuation is \$75,933,000. The changes in financial position may be summarized as follows:

	\$000's
Surplus at the previous valuation	\$48,281
Interest on surplus at 6.0% for one year	2,897
Fund earning more than 6.0% ¹	58,983
Change in assumptions ²	(11,993)
Demographic experience ³	2,243
Salary loss ⁴	(4,804)
Interest credits on contributions higher than assumed ⁵	(1,175)
Pensioner mortality loss ⁶	(1,383)
New entrants ⁷	691
Expense reserve ⁸	(3,150)
Liability reserve ⁹	(12,209)
Balancing item ¹⁰	<u>(2,448)</u>
Surplus at this valuation	\$75,933

Notes:

1. In 2007, 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 10.94% compared with the 6.0 % assumed in the previous valuation. This has produced an investment gain of \$58,983,000.
2. The assumed annual inflation rate has been reduced from 2.5% at the previous valuation to 2.2% but the salary increase assumption for the next five years has been increased from 1% to 2% over inflation. The net effect of these changes is an increase in the

- liabilities of \$11,993,000.
3. 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, 2006 were slightly more than the required amount. The difference with interest at 6.0% for one year amounts to \$2,243,000 at December 31, 2007.
 4. We reran the valuation for the active members common to both this valuation and the previous valuation, using the actual 2006 salaries and the 2007 YMPE, increased by the assumed rates for one year. The liabilities were less than those produced using actual 2007 salaries and the 2008 YMPE. The difference with interest at 6.0% for one year amounts to a loss of \$4,804,000 at December 31, 2007.
 5. 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 at 7.32% 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 \$1,175,000 at December 31, 2007.
 6. Fewer pensioners died in the period than was projected and this has led to a loss of \$1,383,000 at December 31, 2007.
 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 \$691,000 at December 31, 2007.
 8. At December 31, 2006, we established a reserve for expenses of \$6.380 million. If we add interest to this amount at 6.0% and debit the result by the expenses actually paid, the remaining reserve is \$3.930 million while the required reserve is \$7.080 million. The difference of \$3.150 million is a reduction to the surplus that would not have otherwise existed.
 9. Similarly, we established a reserve of \$32.027 for the shortfall in contributions for the years 2007 through 2010. If we add interest at 6.0% and debit the result by the amount required to fund the shortfall in 2007, the amount remaining at December 31, 2007 is \$21.436 million. But under the minimum funding valuation, before the change in the salary assumption, the reserve required is now \$33.645 million – a difference of \$12.209 million.
 10. This reconciliation involves a number of approximations and the balancing item of \$2,448,000 represents 0.2% of liabilities and reserves, well within our materiality level of 0.5% for this process.

5. Current Service Cost

General members contribute 5.4% and emergency members 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		
	General	Emergency	Total
Current service cost	14.2	19.5	14.4
Expected member contributions	5.4	7.3	5.5
Expected employer contributions	5.4	7.3	5.5
Excess normal cost	3.4	4.9	3.4

	Thousands of Dollars		
	General	Emergency	Total
Current service cost	\$46,843	\$2,926	\$49,769
Expected member contributions	17,785	1,094	18,879
Expected employer contributions	17,785	1,094	18,879
Excess normal cost	11,273	738	12,011

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 4.10% or 4.14% annualized. Thus for the maximum funding valuation we have assumed that future investment returns will be 4.75% (4.14% + 0.50% 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 fees (the investment return assumption for maximum funding) and the balance of the actual investment income is smoothed over 5 years. In 2007, for example, an investment return of 4.75% would have required investment earnings of \$65.301 million. Actual earnings for 2007 were \$55.003 million net of investment fees and the shortfall of \$10.298 million is recognized at the rate of 20% over the 5 years 2007 to 2011.

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)			\$1,413,604
2007 excess over 4.75%	(\$10,298)	Unrecognized (80%)	8,238
2006 excess over 4.75%	\$105,149	Unrecognized (60%)	(63,089)
2005 excess over 4.75%	\$79,992	Unrecognized (40%)	(31,997)
2004 excess over 4.75%	\$66,621	Unrecognized (20%)	(13,324)
Actuarial value of total fund (incl. annuity fund)			\$1,313,432
			or 92.914% of market value

Under the funding policy the actuarial value of assets will be limited to not more than 105%, nor less than 95%, of the corresponding market value of assets. Applying this percentage to the part of the fund other than that supporting the annuities, we have

Market value		\$1,378,792
Investment Reserve (5.000%)		(68,940)
Actuarial Value (95.000%)		\$1,309,852

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 the exception that the administration expense reserve may be established as a target amount necessary to cover all administration expenses applicable to benefits earned to date. The reserves under the maximum funding valuation are established as follows:

- i) The total administration expenses in the last 3 years were \$7.475 million or an average of \$2.492 million per year – about 4.3% of benefits paid. Thus our target reserve is established at 4.3% of benefits (liabilities) or \$60.033 million.
- 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 \$67.906 million for general members and \$4.360 million for emergency members.
- iii) Accruals for disabled members – the present value of all future accruals of presently disabled members. We have established a reserve of \$6.714 million to cover all the future accruals of the currently disabled members.

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, 2007 compared with the results of the funding valuation at December 31, 2006 (the effective date of the last full valuation) were as follows:

	(thousands of dollars)	
	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Assets at market value	\$1,378,792	\$1,353,716
Investment reserve	<u>(68,940)</u>	<u>(171,908)</u>
Net assets (actuarial value)	\$1,309,852	\$1,181,808
General members	\$744,369	\$696,806
Emergency members	55,417	53,800
Disabled members	11,675	7,677
Pensioners	459,386	440,652
Survivors	35,862	33,508
Deferred pensioners	60,215	61,164
Pending	53,589	44,892
Former Plan accounts	<u>206</u>	<u>208</u>
Liabilities	\$1,420,719	\$1,338,707
Liability reserve	78,980	69,150
Expense reserve	<u>60,033</u>	<u>60,242</u>
Total liabilities and reserves	\$1,559,732	\$1,468,099
Surplus (Deficit)	(\$249,880)	(\$286,291)

4. Current Service Cost

General members contribute 5.4% and emergency members 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		
	General	Emergency	Total
Current service cost	18.2	25.0	18.4
Expected member contributions	5.4	7.3	5.5
Expected employer contributions	5.4	7.3	5.5
Excess normal cost	7.4	10.4	7.4

	Thousands of Dollars		
	General	Emergency	Total
Current service cost	\$59,820	\$3,745	\$63,565
Expected member contributions	17,785	1,094	18,879
Expected employer contributions	17,785	1,094	18,879
Excess normal cost	24,250	1,557	25,807

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 point 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 calculations made in December 2007 (specifically by assuming mortality in accordance with UP94@2015, and using a discount rate of 4.75% for the first ten years following the valuation date and 5.00% thereafter).
- 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 4.5%. This is the basis recommended by the Canadian Institute of Actuaries for the valuation of immediate pensions for solvency valuations performed as at December 31, 2007.
- iv. For both commuted value and annuity purchase liability calculations we assume 90% of male members and 70% of female members are married and that the female spouse is four years younger than the male spouse.

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 as follows:

	(thousands of dollars)	
	2% indexing for pre-1999 service	no indexing for pre-1999 service*
Assets at market value	\$1,378,792	\$1,378,792
Expenses of plan wind-up	<u>(6,154)</u>	<u>(6,154)</u>
Net assets for solvency purposes	\$1,372,638	\$1,372,638
General members	\$729,126	\$652,790
Emergency members	56,157	47,786
Disabled members	11,149	9,988
Pensioners	471,389	397,963
Survivors	36,607	31,588
Deferred pensioners	58,991	52,040
Pending	52,127	48,142
Former Plan accounts	<u>206</u>	<u>206</u>
Total	\$1,415,752	\$1,240,503
Excess/(Shortfall)	(\$43,114)	\$132,135

* other than the 2% indexing that occurred January 1, 2008

We have determined that an assumption of 1.55% for future indexing in respect of pre-1999 service would produce a small surplus on a solvency basis (including the results of the solvency valuation in respect of the annuities underwritten by the Plan, valued separately in our report dated May 2, 2008).

4. Required Special Payments

As there is a solvency excess on at least one of the solvency bases, i.e. when future additional allowances are excluded from the liabilities, no special payments are required.

5. Comments

As there is a solvency excess when future additional allowances are excluded from the liabilities, it is not necessary to take any action for the purpose of satisfying regulatory solvency funding requirements.

6. Recommended Commuted Value Basis

We recommend that commuted values be determined in accordance with the Standards of Practice of the Canadian Institute of Actuaries with respect to commuted values as of the date of calculation (the "Standards") and where the Standards are not specific, effective January 1, 2009, the assumptions used to determine the commuted value of a pension would be as follows:

1. Mortality on a unisex basis: 52% male.
2. Probability of eligible spouse at retirement: 80%*
3. Age of spouse: 0.66 years younger than the member*
4. Discount rates: As specified in the Standards for non-indexed pensions.
5. Future increases, where applicable: The assumption for future increases will be determined by applying the indexing formula (to a maximum of 1.55%) to the implied inflation rate inherent in the discount rates for non-indexed and fully indexed pensions derived according to the Standards.

* where the pension is assumed to commence immediately, the actual marital status and age of spouse would be used.

Lump sum values will apply for 120 days after the calculation date. After 120 days a recalculation will be made using the then current basis. For transfers within 120 days of the calculation date, the commuted value will be increased with interest at the discount rate used to calculate the commuted value for the period between the calculation date and the transfer date.

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, 2007 is as follows:

	(thousands of dollars)	
	Minimum Funding	Maximum Funding
Assets at market value	\$1,378,792	\$1,378,792
Investment reserve	<u>(67,133)</u>	<u>(68,940)</u>
Net assets (actuarial value)	\$1,311,659	\$1,309,852
Liabilities	\$1,190,575	\$1,420,719
Liability reserve	38,071	78,980
Expense reserve	<u>7,080</u>	<u>60,033</u>
	\$1,235,726	\$1,559,732
Surplus/Deficit	\$75,933	(\$249,880)
As a percentage of actuarial value	5.8%	(19.1%)

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	14.4	18.4
Expected contributions	11.0	11.0
Excess normal cost	3.4	7.4

	(thousands of dollars)	
	Minimum Funding	Maximum Funding
Current service cost	\$49,769	\$63,565
Expected contributions	37,758	37,758
Excess normal cost	12,011	25,807

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 a solvency basis when future additional allowances are excluded from the liabilities, 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 has a surplus, 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 general members and 7.3% for emergency members, 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, which has been increasing at every valuation since 2001. Under minimum funding, a reserve to cover the excess normal cost for the next 3 years is established and there remains a surplus beyond this reserve. Nevertheless, it would be prudent to consider changes now to address the growing imbalance between the cost of benefits accruing and the contributions coming in to the fund.

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 reductions 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 excess normal costs beyond three years to the extent allowed under the Income Tax Act.
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, 2007.

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.

Emergency members are those designated by their employers.

Members' Contributions

General members are required to contribute an amount equal to 5.4% of their earnings. Emergency members contribute 7.3% of their earnings. Earnings include regular remuneration and commissions, but exclude 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 general members is the first day of the month immediately following the attainment of age 65. The normal retirement date of emergency members is the first day of the month immediately following the attainment of age 60.

Early Retirement Date*General Members*

General members 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, or would reach normal retirement age, if earlier.

Emergency Members

Emergency members 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 after age 45 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 the date when the member would satisfy the rule of 75 assuming that service had continued, or would reach normal retirement age, if earlier.

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) general members 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 members 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) general members 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 members 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.

Pre-retirement Death Benefits

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.

Post-retirement Death Benefits

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 designated dependents named at retirement (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, 2007 and 2008 – no increase was provided for benefits in respect of post-1998 service at these times.

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 Assumption and Methods

1. Economic Assumptions

The economic assumptions used in the minimum and maximum funding valuations are as follows. The assumptions are the same as used in the previous valuation, except where noted.

a) *Inflation = 2.2% per annum.* This long-term assumption reflects long-term expectations in the marketplace at the valuation date, rounded to the nearest 0.1%. At the previous valuation we assumed inflation of 2.5% per annum.

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 there will be general salary increases of 4.2% per annum for five years and 3.2% per annum thereafter. The 3.2% provides for market-implied future inflation plus real salary increases at 1% above inflation. The 4.2% for the next five years recognizes that salary increases are expected to be higher than the Canadian average, at least in the short-term, due to the booming Saskatchewan economy. For the previous valuation the assumed rate of general salary increases was 3.5% (1% over inflation) for all years.

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

<u>Years of Service</u>	<u>General Members</u>	<u>Emergency Members</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 (YMPE) would increase from \$44,900 in 2008 by 3.2% per year, which is consistent with the long-term assumption for salary increases. We have also assumed that the maximum pension per year of service permitted under the Income Tax Act would increase from \$2,333 in 2008 to \$2,444 in 2009 and would increase thereafter at 3.2% per annum, also consistent with the long-term assumption for salary increases. The assumed rate of increase for the YMPE and maximum pension at the previous valuation was 3.5% per year.

e) *Indexing of pensions*

We assumed that pensions earned for service prior to 1999 will continue to be indexed at 2% per year in the future. No provision is made for future indexing of pensions for post-1998 service. This assumption is consistent with the terms of the Act and policies adopted by the Commission, and the inflation assumption used for the valuation.

2. Demographic assumptions

The demographic assumptions are the same as used at the previous two valuations. Gain and loss analysis does not indicate any need to revise the demographic assumptions.

a) *Retirement*

General Members

We have assumed that there is a 50% probability that general members 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, 2007, we have assumed that there is a 50% probability that they will retire at June 30, 2008 and a 50% probability that they will retire at age 65.

Emergency Members

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

b) *Termination of Membership*

For the general members we have assumed terminations in accordance with a table of estimates, excerpts of which are as follows:

<u>Age</u>	<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 members, we have used an assumption of 75% of the termination rates for the general members to recognize their generally lower turnover rates.

c) *Mortality*

We have used the 1994 Uninsured Pensioner mortality table with projection for mortality improvement to 2015. This table is a commonly used table for pension valuation purposes and there is no reason to expect mortality experience for members of this plan will be materially different from this table.

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 retirement date, retire at that date and that their imputed salary will increase at 4.2% per year for 5 years and at 3.2% per year thereafter, consistent with the assumption for general salary increases. Salaries were assumed to increase by 3.5% for all years at the previous valuation. 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, 2007.

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.

For pensioners and survivors, as well as for deferred and pending members, pension amounts were provided by the administrator and the actuarial liabilities were determined based on these amounts. For deferred and pending members, the liabilities also include any excess contributions each member is entitled to. These amounts were also provided by the administrator.

For active and disabled members, 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 pre-retirement termination and death and the value of the termination and death benefits are determined in a manner consistent with the retirement benefit. The value of the member's accrued benefits is 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 (excess contributions).

Also under this method, the current service cost is the value of the benefits, including excess contributions, 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 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.

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, 2007. They were reconciled and checked for consistency with the previous valuation data.

The data included pensionable salary and in-year credited service amounts for 2005, 2006 and 2007. We annualized the salary amounts by dividing the pensionable salary by the credited service in the year. If the 2007 salary was zero as it was for 277 of the active members, we assumed that it should be \$20,000.

1. Membership Reconciliation

A. ACTIVES

	<u>General</u>	<u>LTD</u>	<u>Emergency</u>	<u>Total</u>
At December 30, 2006	11,624	73	232	11,929
Retired	(126)	(3)	(6)	(135)
Termination & Deaths				
Deferred	(17)	0	0	(17)
Pending	(854)	(5)	(2)	(861)
Paid Out	(549)	(4)	(11)	(564)
Status Change				
General to LTD	(68)	68	0	0
LTD to General	6	(6)	0	0
General to Emergency	(4)	0	4	0
Emergency to General	<u>1</u>	<u>0</u>	<u>(1)</u>	<u>0</u>
Members at December 31, 2007 who were active at December 31, 2006	10,013	123	216	10,352
New Members	1,674	3	15	1,692
Reinstatements from Pending	257	7	0	264
At December 31, 2007	11,944	133	231	12,308

B. PENSIONERS AND SURVIVORS

	Pensioners	Survivors
At December 31, 2007	3,084	725
Data adjustments	0	1
Deaths – with continuing payments *	(52)	55
- with no further payments	(30)	(22)
New pensioners		
from general members	126	
from disabled members	3	
from emergency members	6	
from deferred pensioners	17	
from pending members	12	
from marriage split	1	
At December 31, 2007	3,167	759

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

C. DEFERRED PENSIONERS

At December 31, 2007	1,838
Data adjustments	2
Retired	(17)
Termination or death – paid-out	(127)
Transfer to pending members	0
Reinstated to general members	0
Transfer from general members	17
Transfer from pending members	37
At December 31, 2007	1,750

D. PENDING MEMBERS

At December 31, 2007	2,112
Retired	(12)
Termination or death – paid-out	(371)
Transfer to general members	(257)
to emergency members	0
to disabled members	(7)
to deferred pensioners	(37)
Transfer from general members	854
from emergency members	2
from disabled members	5
from deferred pensioners	0
Members who joined plan since Dec 31, 2006	239
At December 31, 2007	2,528

2. Membership Summary – Active General Males

Age		Service						
		0-5	5-10	10-15	15-20	20-25	25-30	
16-24	Number	114	-	-	-	-	-	-
	Salary	3,371,535	-	-	-	-	-	-
	Avg Salary	29,575	-	-	-	-	-	-
25-29	Number	159	33	-	-	-	-	-
	Salary	5,607,328	1,262,874	-	-	-	-	-
	Avg Salary	35,266	38,269	-	-	-	-	-
30-34	Number	160	66	21	2	-	-	-
	Salary	5,792,512	2,771,338	872,098	101,955	-	-	-
	Avg Salary	36,203	41,990	41,528	50,977	-	-	-
35-39	Number	152	81	41	18	3	-	-
	Salary	5,357,033	3,303,224	1,722,494	809,186	154,029	-	-
	Avg Salary	35,244	40,781	42,012	44,955	51,343	-	-
40-44	Number	190	101	59	65	45	9	-
	Salary	6,329,006	3,774,416	2,658,689	2,836,042	2,112,928	399,129	-
	Avg Salary	33,311	37,370	45,063	43,631	46,954	44,348	-
45-49	Number	266	156	91	83	94	78	-
	Salary	9,079,267	5,668,404	3,573,119	3,768,148	4,667,838	3,809,903	256,575
	Avg Salary	34,133	36,336	39,265	45,399	49,658	48,845	42,700
50-54	Number	236	119	86	104	75	79	1
	Salary	7,659,131	3,987,555	3,474,374	4,094,422	3,693,991	3,874,709	1,723,000
	Avg Salary	32,454	33,509	40,400	39,369	49,253	49,047	49,220
55-59	Number	171	141	75	88	59	44	1
	Salary	6,100,643	4,674,997	2,968,175	3,434,348	2,702,539	2,053,633	2,025,900
	Avg Salary	35,676	33,156	39,576	39,027	45,806	46,673	54,700
60-69	Number	158	132	53	50	37	26	1
	Salary	4,738,732	3,721,562	2,157,210	1,800,312	1,475,746	1,244,183	1,414,100
	Avg Salary	29,992	28,194	40,702	36,006	39,885	47,853	41,500
Total	Number	1,606	829	426	410	313	236	11
	Salary	54,035,240	29,164,360	17,426,160	16,844,420	14,807,070	11,381,550	5,419,700
	Avg Salary	33,646	35,180	40,906	41,084	47,307	48,227	48,300

Age		Service						
		0-5	5-10	10-15	15-20	20-25	25-30	30+
16-24	Number	250	-	-	-	-	-	-
	Salary	5,959,842	-	-	-	-	-	-
	Avg Salary	23,839	-	-	-	-	-	-
25-29	Number	424	41	-	-	-	-	-
	Salary	11,394,350	1,238,560	-	-	-	-	-
	Avg Salary	26,873	30,209	-	-	-	-	-
30-34	Number	491	153	20	-	-	-	-
	Salary	13,451,970	4,494,422	687,533	-	-	-	-
	Avg Salary	27,397	29,375	34,377	-	-	-	-
35-39	Number	591	269	62	23	-	-	-
	Salary	14,370,640	7,430,812	2,058,987	798,730	-	-	-
	Avg Salary	24,316	27,624	33,209	34,727	-	-	-
40-44	Number	685	428	122	83	60	7	-
	Salary	16,898,740	11,276,210	3,697,070	3,089,833	2,215,126	319,805	-
	Avg Salary	24,670	26,346	30,304	37,227	36,919	45,686	-
45-49	Number	638	517	205	179	76	53	-
	Salary	15,468,240	12,826,530	5,996,627	5,760,833	3,165,694	2,241,045	142,100
	Avg Salary	24,245	24,810	29,252	32,183	41,654	42,284	47,300
50-54	Number	383	332	199	205	133	43	1
	Salary	9,822,194	8,448,315	5,648,804	6,346,123	4,587,389	1,787,759	998,300
	Avg Salary	25,645	25,447	28,386	30,957	34,492	41,576	38,300
55-59	Number	204	224	106	148	114	54	1
	Salary	5,455,227	5,665,235	3,032,695	4,186,676	3,717,242	1,956,086	802,100
	Avg Salary	26,741	25,291	28,610	28,288	32,607	36,224	36,400
60-69	Number	87	116	42	78	57	35	1
	Salary	2,160,284	2,713,846	1,280,135	2,285,685	1,682,330	971,394	879,700
	Avg Salary	24,831	23,395	30,479	29,304	29,515	27,754	36,600
Total	Number	3,753	2,080	756	716	440	192	1
	Salary	94,981,390	54,094,040	22,401,840	22,467,860	15,367,780	7,276,091	2,822,200
	Avg Salary	25,308	26,007	29,632	31,380	34,927	37,896	37,600

		4. Membership Summary – Active Emergency Males						
		Age	0-5	5-10	10-15	Service 15-20	20-25	25-30
16-24	Number	5	-	-	-	-	-	-
	Salary	220,306	-	-	-	-	-	-
	Avg Salary	44,061	-	-	-	-	-	-
25-29	Number	18	7	-	-	-	-	-
	Salary	916,797	452,750	-	-	-	-	-
	Avg Salary	50,933	64,679	-	-	-	-	-
30-34	Number	20	17	5	-	-	-	-
	Salary	1,043,221	1,117,039	356,227	-	-	-	-
	Avg Salary	52,161	65,708	71,245	-	-	-	-
35-39	Number	7	13	14	3	-	-	-
	Salary	364,011	869,113	1,015,580	211,228	-	-	-
	Avg Salary	52,002	66,855	72,541	70,409	-	-	-
40-44	Number	3	5	7	10	6	-	-
	Salary	176,216	330,279	465,612	624,058	493,825	-	-
	Avg Salary	58,739	66,056	66,516	62,406	82,304	-	-
45-49	Number	5	3	2	9	5	6	-
	Salary	269,202	138,223	137,341	660,414	435,389	451,515	-
	Avg Salary	53,840	46,074	68,671	73,379	87,078	75,253	-
50-54	Number	3	1	2	3	3	9	-
	Salary	195,590	34,020	159,235	171,419	199,975	643,367	406,431
	Avg Salary	65,197	34,020	79,618	57,140	66,658	71,485	81,259
55-59	Number	3	2	1	-	1	1	-
	Salary	174,683	94,424	51,690	-	68,122	55,202	75,781
	Avg Salary	58,228	47,212	51,690	-	68,122	55,202	75,781
60-69	Number	2	1	-	1	-	-	-
	Salary	111,668	33,840	-	66,383	-	-	-
	Avg Salary	55,834	33,840	-	66,383	-	-	-
Total	Number	66	49	31	26	15	16	-
	Salary	3,471,695	3,069,689	2,185,685	1,733,502	1,197,311	1,150,084	482,221
	Avg Salary	52,601	62,647	70,506	66,673	79,821	71,880	80,357

5. Membership Summary – Active Emergency Females

Age		Service						
		0-5	5-10	10-15	15-20	20-25	25-30	30+
16-24	Number	1	-	-	-	-	-	-
	Salary	51,025	-	-	-	-	-	-
	Avg Salary	51,025	-	-	-	-	-	-
25-29	Number	2	-	-	-	-	-	-
	Salary	98,911	-	-	-	-	-	-
	Avg Salary	49,455	-	-	-	-	-	-
30-34	Number	2	1	1	-	-	-	-
	Salary	103,767	42,027	70,258	-	-	-	-
	Avg Salary	51,883	42,027	70,258	-	-	-	-
35-39	Number	2	2	1	-	-	-	-
	Salary	111,246	121,829	86,213	-	-	-	-
	Avg Salary	55,623	60,914	86,213	-	-	-	-
40-44	Number	2	2	1	1	-	-	-
	Salary	84,575	117,240	81,786	78,541	-	-	-
	Avg Salary	42,288	58,620	81,786	78,541	-	-	-
45-49	Number	-	1	-	-	-	1	-
	Salary	-	52,966	-	-	-	72,535	-
	Avg Salary	-	52,966	-	-	-	72,535	-
50-54	Number	-	-	1	1	-	-	-
	Salary	-	-	49,449	87,711	-	-	-
	Avg Salary	-	-	49,449	87,711	-	-	-
55-59	Number	-	-	-	-	-	-	-
	Salary	-	-	-	-	-	-	-
	Avg Salary	-	-	-	-	-	-	-
60-69	Number	-	-	-	-	-	-	-
	Salary	-	-	-	-	-	-	-
	Avg Salary	-	-	-	-	-	-	-
Total	Number	9	6	4	2	-	1	-
	Salary	449,523	334,061	287,705	166,252	-	72,535	-
	Avg Salary	49,947	55,677	71,926	83,126	-	72,535	-

6. Disabled Members

<u>Age</u>	<u>Males</u>			<u>Females</u>		
	<u>Number</u>	<u>Pensionable Service</u>	<u>Average Salary</u>	<u>Number</u>	<u>Pensionable Service</u>	<u>Average Salary</u>
20-24	1	0.67	28,717			
25-29	1	2.08	34,460	3	7.88	20,369
30-34	1	5.75	27,271	4	6.78	33,249
35-39	4	15.42	31,241	3	24.03	25,990
40-44	3	23.47	30,416	11	56.45	25,596
45-49	7	74.65	31,223	15	143.22	22,631
50-54	14	236.22	36,377	15	158.47	23,866
55-59	12	112.71	28,011	12	155.01	26,062
60-64	11	133.08	34,128	13	193.95	31,679
65-69	2	17.77	37,654	1	2.77	38,214
	56	621.82	32,524	77	748.56	26,154

7. Pensioners (excluding the 2% Jan 1, 2008 increase for pre-1999 pensions)

<u>Age</u>	<u>Males</u>			<u>Females</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	6	9,110	1,418	5	6,149	1,008
50-54	59	100,965	16,058	14	18,021	3,403
55-59	114	194,399	29,773	107	88,050	18,306
60-64	207	308,911	53,917	248	156,711	34,376
65-69	452	443,063	8,144	272	149,771	2,853
70-74	379	321,626	0	233	106,292	0
75-79	371	269,521	0	133	56,611	0
80-84	229	135,400	0	103	42,482	0
85-89	121	61,193	0	47	15,305	0
90-94	42	13,411	0	20	4,316	0
95-99	5	739	0	0	0	0
	1,985	1,858,339	109,310	1,182	643,707	59,945

8. Survivors (excluding the 2% Jan 1, 2008 increase for pre-1999 pensions)

<u>Age</u>	<u>Males</u>			<u>Females</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	11	4,859	0	17	10,618	942
50-54	1	78	0	4	1,033	0
55-59	3	889	155	14	13,644	1,593
60-64	8	4,786	368	27	18,257	603
65-69	6	3,666	221	69	39,648	181
70-74	10	3,802	0	98	40,918	0
75-79	11	2,905	0	149	57,587	0
80-84	14	2,724	0	139	36,700	0
85-89	9	1,918	0	117	26,785	0
90-94	4	430	0	41	5,234	0
95-99	0	0	0	7	768	0
	77	26,056	744	682	251,191	3,319

9. Deferreds

<u>Age</u>	<u>Males</u>			<u>Females</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	2	138	0	3	291	0
25-29	20	3,314	0	21	3,350	0
30-34	46	10,112	85	55	9,296	0
35-39	58	19,482	0	98	19,048	0
40-44	106	26,957	1,530	145	30,351	952
45-49	155	43,257	1,828	183	36,223	1,874
50-54	140	48,033	3,580	194	38,902	2,536
55-59	128	39,699	2,076	134	27,206	1,432
60-64	107	23,959	562	102	17,676	587
65-69	32	5,825	0	21	3,428	0
	794	220,778	9,661	956	185,770	7,381

10. Pending

<u>Age</u>	<u>Males</u>			<u>Females</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	76	3,320	0	72	2,812	0
25-29	114	18,071	0	185	19,178	0
30-34	97	21,192	18	232	42,340	0
35-39	116	30,286	468	170	32,640	183
40-44	139	44,538	1,778	170	31,991	1,409
45-49	199	52,674	4,912	187	37,540	3,632
50-54	177	47,997	4,426	160	34,992	3,221
55-59	149	37,307	4,170	81	23,351	2,699
60-64	119	31,653	3,682	30	4,145	542
65-69	50	12,250	0	5	304	0
	1,236	299,287	19,453	1,292	229,294	11,687

Section 10 Actuarial Opinion

with respect to the Saskatchewan Municipal Employees Pension Plan forming part of the actuarial report dated September 19, 2008 on a valuation of the plan as at December 31, 2007.

In my opinion:

- a) the plan is fully funded at December 31, 2007 with a surplus of \$75.933 million, while on a solvency basis the plan has an excess of solvency assets over solvency liabilities of \$132.1 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 dated May 2, 2008. On a going-concern minimum funding basis, there is a surplus of \$3.536 million; on a solvency basis, there is a deficit of \$0.124 million.
- c) the rule for computing the employer normal cost contribution for each year from January 1, 2008 to December 31, 2010 is that employers should match the contributions made by the members. Estimated member contributions in 2008 are \$18.879 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, 2010.

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.

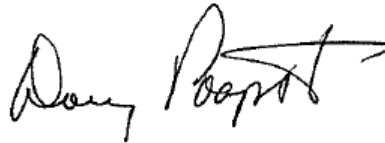
In my opinion:

- 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.

September 19, 2008

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, 2007.

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.

Sept 19, 2008
Date

E. Ireland
Public Employees Benefits Agency
Plan Administrator