Eckler Ltd.

Actuarial Valuation Report
As At December 31, 2007
On The Annuities
Underwritten by
The Municipal Employees' Pension Plan

Prepared by:

Eckler Ltd.
Winnipeg, Manitoba

May 2, 2008

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Section 1 Executive Summary

INTRODUCTION

The Municipal Employee's Pension Plan (MEPP) is a defined contribution plan for service prior to July 1, 1973 (the "Former Plan") and a defined benefit plan for service after that date. This report is concerned with the valuation of the annuities in payment which have been provided in respect of contributions under the Former Plan and those which have been provided in respect of "excess" contributions due to the application of the 50% rule under the defined benefit plan for retirements and terminations of employment which occurred on or prior to December 31, 2000.

The Canada Revenue Agency has directed that, with effect from January 1, 2002, separate account must be kept of the operation of that part of the MEPP fund under which these annuities are provided. Prior to that date, no separate account of the annuity assets had been kept.

We have therefore been retained by the Municipal Employees' Pension Plan Commission to prepare this report, the purpose of which is to:

(a) Determine the actuarial liabilities of the annuity account as described above at December 31, 2007.

(b) To determine how much surplus would be available for increases to the non-indexed annuities on an excess interest basis.

(c) Provide cash flow projections of the annuities paid from the plan.

The previous valuation report was prepared as of December 31, 2006.

This is the second annual valuation performed since a funding policy was adopted by the Commission in respect of the defined benefit part of the Plan. Consistent with that funding policy, this report sets forth the results of valuations on both a going-concern and a solvency basis with the going-concern valuation presented on two bases, the minimum and maximum funding valuation.

This report should be read in conjunction with the *Report on the Actuarial Valuation of the Saskatchewan Municipal Employees' Pension Plan as at December 31, 2007* once complete, which provides greater detail on the funding policy and the minimum and maximum funding valuations. Alternatively, reference may be made to *Report on the Actuarial Valuation of the Saskatchewan Municipal Employees' Pension Plan as at December 31, 2006*.

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RESULTS

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	$34,812	$34,812
Liabilities	31,276	33,845
Surplus	$3,536	$967

The solvency valuation produces a shortfall as follows:

	(thousands of dollars)
Assets at market value	$34,812
Expenses of plan wind-up	(529)
Net assets for solvency purposes	34,283
Total solvency liabilities	34,407
Excess/(Shortfall)	($124)

Canada Revenue Agency will not permit the granting of additional allowances if there is a shortfall or deficit in the part of the fund which supports these annuities. As this is the case on a solvency basis, an increase is not permitted.

Section 59.1 of *The Municipal Employees' Pension Act* provides that the Commission may pay additional allowances if the Commission determines that the assets of the fund are more than adequate to satisfy the test of solvency prescribed by *The Pension Benefits Act, 1992*. At this valuation, there is no excess on a solvency basis.

Funding Requirements

The annuities underwritten by the Plan are funded as each member retires by way of a lump sum transfer of the member's defined contribution account balances.

NEXT VALUATION

We recommend that the next valuation of the annuity account for the purposes of filing with regulatory authorities be prepared no later than December 31, 2009. The funding policy indicates that valuations are to be done annually.

Respectfully submitted,

ECKLER LTD.

A. Douglas Poapst. FSA, FCIA

K. Dawn Power, FSA, FCIA

May 2, 2008

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Section 2 Asset Data

The annuity fund is kept separate on paper only. The following summarizes the changes in the assets of the annuity fund since the previous valuation:

	(thousands of dollars)
	2007
At start	$36,920
Transfer-in	371
Annuities paid	(4,135)
Net investment income	1,400
Admin Expenses	(72)
At end	$34,484

Information about the assets, transfers and annuity payments were provided to us by PEBA in the form of audited financial statements for 2007.

Adjustment for new Annuities in 2006 and 2007

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. At the last valuation, we determined that the appropriate amount to be transferred in respect of these annuities was $292,107 as at December 31, 2006. As of this valuation, this transfer had not yet been included in the asset value shown above. The value of this transfer with interest at the fund rate of return to December 31, 2007 is $303,178. In addition, a new annuity was established in February 2007 for which no corresponding transfer was made. The value of this transfer at December 31, 2007 is $24,368. We have increased the asset value shown above to $34,812,000 to reflect the value of these two pending transfer amounts.

Section 3 Minimum Funding Valuation

1. Actuarial Assumptions and Methods

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

Actuarial Assumptions

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

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

2. 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 and methods outlined in this section, the results of the minimum funding valuation at December 31, 2007 compared with the results of the minimum funding valuation at December 31, 2006 were as follows:

	(thousands of dollars)	
	December 31, 2007	**December 31, 2006**
Assets at market value	$34,812	$37,212
Liabilities	31,276	32,844
Surplus	$3,536	$4,368

3. Summary of Changes in Financial Position

At the previous valuation, the surplus reported was $4,368,000. At this valuation the surplus under the minimum funding valuation is $3,536,000. The changes in financial position may be summarized as follows:

Surplus at December 31, 2006	$4,368,000
Interest on surplus at 6%	262,000
Net investment return less than 6%[1]	(782,000)
Mortality loss[2]	(354,000)
Liability for member missing at last valuation[3]	(9,000)
New retirees in 2007[4]	28,000
Indexing in 2008 more than assumed[5]	(2,000)
Assumption change[6]	25,000
Excess at December 31, 2007	$3,536,000

Notes:

1. The investment return on the fund net of all expenses was 3.79% in 2007, compared to the 6% assumed.

2. The liabilities at the valuation are $354,000 more than they would have been if the mortality experience had been consistent with that projected by the mortality assumption at the previous valuation.

3. The liability for an annuitant who's data was missing at the previous valuation plus 2007 benefits paid to the annuitant was $9,000.

4. The liability for new retirees in 2007 at the valuation date is slightly less than the amounts transferred (including a pending transfer), plus benefit payments, both with interest to the valuation date.

5. Indexed Annuities were increased by 2.75% at January 1, 2008, higher than the assumed rate of 2.5%.

6. At this valuation we assume future increases to indexed pensions will be at the rate of 2.2% per year. At the last valuation, we assumed future indexing would be at 2.5% per year.

Section 4 Maximum Funding Valuation

1. **Actuarial Assumptions and Methods**
   In this section we describe the actuarial assumptions that are specific to the maximum funding valuation. All other assumptions and methods used in the maximum funding valuation are described in Section 8.

   Actuarial Assumptions
   We have assumed that future investment returns will be 4.75%.

2. **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 and methods 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 were as follows:

	(thousands of dollars)	
	December 31, 2007	December 31, 2006
Assets at market value	$34,812	$37,212
Liabilities	33,845	35,598
Surplus	$967	$1,614

Section 5 Solvency Valuation

1. Actuarial Assumptions, Methods and Reserves

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

a. Assumptions

We assume that annuities would be purchased for all current pensioners. The purchase price for annuities is approximated by assuming mortality in accordance with the UP94@2015 mortality table and a discount rate of 4.5%. This is the basis recommended by the Canadian Institute of Actuaries for the valuation of immediate pensions in solvency valuations at December 31, 2007.

b. Reserves

Expenses required for plan wind-up are assumed to be $300 per member (in all categories).

2. 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)
Assets at market value	$34,812
Expenses of plan wind-up	(529)
Net assets for solvency purposes	$34,283
Liabilities	34,407
Excess/(Shortfall)	($124)

Section 6 Cash Flow Projection

The following table shows the projected annual annuity payments for the next 50 years assuming no new annuities are added. These annuity payments include future indexing of the Indexed Annuities, but no future increases for the non-indexed annuities.

Year Starting Jan 1	Cash Flow	Year Starting Jan 1	Cash Flow
2008	3,994,000	2033	288,000
2009	3,812,000	2034	241,000
2010	3,627,000	2035	200,000
2011	3,429,000	2036	165,000
2012	3,232,000	2037	135,000
2013	3,028,000	2038	110,000
2014	2,829,000	2039	89,000
2015	2,626,000	2040	71,000
2016	2,430,000	2041	56,000
2017	2,234,000	2042	45,000
2018	2,048,000	2043	34,000
2019	1,865,000	2044	27,000
2020	1,692,000	2045	20,000
2021	1,525,000	2046	15,000
2022	1,369,000	2047	12,000
2023	1,222,000	2048	9,000
2024	1,085,000	2049	6,000
2025	957,000	2050	5,000
2026	841,000	2051	3,000
2027	734,000	2052	3,000
2028	637,000	2053	2,000
2029	549,000	2054	1,000
2030	472,000	2055	1,000
2031	403,000	2056	0
2032	341,000	2057	0

Section 7 Summary of Plan Provisions

This appendix contains a brief summary of the provisions of the Plan that are relevant for valuation purposes:

LIFE ANNUITIES

Life annuities are paid for the life of the annuitant based on:

1. rates of interest offered at the time the annuity commences;

2. the form of the annuity.

FORMS OF ANNUITIES

The following is a brief description of the various forms of annuities currently being paid out of the retirement fund:

Life Annuity

The annuity is payable on a monthly basis in arrears for the life of the annuitant. If the annuitant dies before the end of the guarantee period, the remaining guaranteed payments are paid to the last designated beneficiary. A single member can purchase an annuity guaranteed for 0, 5, 10, or 15 years. A member with a spouse can purchase a single life annuity if the spouse waives the right to a joint annuity.

Joint and Last Survivor Annuity

The annuity is payable on a monthly basis in arrears for the life of the annuitant and the spouse. In the month following the death of the annuitant, monthly benefits are payable to the spouse for the remainder of the spouse's lifetime. The continuing benefits for the spouse are selected at the time of retirement as either 100%, 75%, 60% or 50% of the annuitant's payments. The member may purchase a joint annuity with a 0, 5, 10 or 15-year guarantee on the annuitant's payments. The current annuities being paid include continuing benefits for spouses at percentages equal to 50%, 60%, 75% and 100%.

Upon the death of both the annuitant and the spouse and after any applicable guarantee period, payments cease and no further benefits are payable.

Indexed Annuities

Effective February 28, 1997, the Plan began underwriting annuities that included provisions for indexing at 100% of the increases in the Consumer Price Index (CPI). Increases in the annuity payments for "Indexed Annuities" are granted on each January 1 following the member's retirement date. The increase at January 1, 2008 was 2.75%. The increase for indexing on the first January 1 following a member's date of retirement is provided on a pro-rata basis from the month of retirement.

Members have the option of choosing an annuity that includes future indexing or not.

Excess Interest Increases for Non-Indexed Annuities

With effect from January 1, 2003, annuities, other than Indexed Annuities, will be increased by the excess over the lesser of 6% and the discount rate used to determine the annuity at retirement, of the rate of return in the immediately preceding year on the assets supporting the annuity liabilities, subject to there being sufficient funds to do so. The rate of return in a particular year will be determined by PEBA using a smoothing technique – this is the same technique which is used to determine the interest credit on members' contribution accounts under the defined benefit plan. The increase in any year will not be greater than the increase in the Consumer Price Index for the previous year.

Section 8 Actuarial Assumptions and Methods

UNDERWRITING ANNUITIES

The major task involved in underwriting annuities is to convert an amount of accumulated contributions to an annual lifetime pension at the time an annuity commences.

In order to perform this conversion, two major assumptions are necessary. The first is the length of time that payments are expected to be made. The second is the amount of investment earnings that the fund can be expected to earn over a long period of time.

For Indexed Annuities, a third assumption, the expected level of increases in the CPI, is also necessary.

This first assumption regarding the length of time that payments are expected to be made is calculated by using a mortality table that allows the determination of a probability for each potential future payment. Given a large number of people, and assuming the investment earnings assumption is exactly realized, the fund will be extinguished at the time the last member of the group dies. Some in the group will die earlier than expected, thus producing a gain to the fund. Some will die later than expected, producing a loss to the fund. If the mortality assumptions are exactly realized, the gains will offset the losses.

The annuities underwritten by the Plan have, in the past, been issued using an interest rate that is determined based on the yield on investments at the time that the annuity is underwritten. The theory behind this approach is that the equity at the time of conversion could be hypothetically invested to earn the assumed rate of interest which will allow the Plan to make the expected annuity payments for the member and, if applicable for the spouse's lifetime.

From January 1, 2002 on, any non-indexed annuities will be determined using the lesser of 6% and the initial rate for the first 15 years used in the Canadian Institute of Actuaries Transfer Value basis which was effective September 1, 1993 which is consistent with the approach to excess interest increases described in Section 7.

ACTUARIAL ASSUMPTIONS

Assumptions have been adopted in order to estimate the liabilities that have been incurred by the Plan. The true liability of the Plan will emerge only as experience develops, new annuities are added to the Plan, and annuity payments are made. Emerging experience, differing from the assumptions, will result in gains or losses, which will be revealed in future valuations. These assumptions should be reviewed from time to time in order to adequately reflect the experience of the Plan.

A summary of the actuarial assumptions used in the December 31, 2007 valuation is as follows:

Mortality:	UP94 Projected to 2015
Interest:	
2006 Valuation	Minimum funding valuation: 6.00% Maximum funding valuation: 4.75% Solvency valuation: 4.60%
2007 Valuation	Minimum funding valuation: 6.00% Maximum funding valuation: 4.75% Solvency valuation: 4.50%
Future Indexing (Indexed Annuities):	
2006 Valuation	2.50% on January 1, 2008 and annually thereafter
2007 Valuation	2.20% on January 1, 2009 and annually thereafter
Future Increases (Non-Indexed Annuities):	
2006 and 2007 Valuation	None
Expenses of plan wind-up:	
2006 and 2007 Valuation	$300 per member

METHOD

The liability for each annuitant is the actuarial present value of all future payments under the annuity.

Section 9 Membership Data Summary

The relevant data required to carry out this valuation was compiled as of December 31, 2007 by the Public Employees Benefits Agency. The indexed pension data did not include the increase of 2.75% granted to Indexed Annuities as of January 1, 2008. The data was checked for consistency between the previous valuation and this valuation. Our tests consisted of verifying that information such as dates of birth, dates of retirement, and forms of pension were internally consistent with the December 31, 2006 valuation data. We also performed a reconciliation of the plan membership from December 31, 2006 to December 31, 2007

The following is a reconciliation of the members from December 31, 2006 to December 31, 2007. A summary of the data follows:

	Annuitants	Survivors	Total
Annuitants at December 31, 2005	1,218	581	1,799
Data adjustments*		1	1
New annuitants	10	-	10
Deaths – no further payments	(30)	(19)	(49)
Deaths with surviving spouses	(28)	28	0
Deaths with other beneficiaries**	(2)	3	1
Marriage breakdown	-	-	-
Annuitants at December 31, 2007	1,168	594	1,762

* there was one data record missing at the last valuation
** one member had two beneficiaries

SUMMARY OF DATA AT DECEMBER 31, 2007

	Annuitants	Survivors
Number of annuitants	1,168	594
Total annual payment*	$2,946,000	$1,128,000
Average annual payment*	$2,522	$1,899
Average age	78.7	78.6
Average period since commencement of annuity	15.3 years	20.1 years

MEMBERSHIP DISTRIBUTION - ANNUITANTS

	Males		Females	
	No.	**Annual Annuity***	**No.**	**Annual Annuity***
-54	0	$ 0	1	$8,637
55-59	7	15,161	0	0
60-64	11	14,779	7	11,402
65-69	52	126,736	25	51,163
70-74	124	343,598	68	67,499
75-79	265	673,829	79	64,679
80-84	210	555,177	91	154,934
85-89	112	490,534	42	46,247
90-94	40	218,744	26	66,044
95+	6	27,796	2	9,167
	827	$2,466,354	341	$479,772

* Prior to increase at January 1, 2008

MEMBERSHIP DISTRIBUTION - SURVIVORS

	Males		Females	
	No.	**Annual Annuity***	**No.**	**Annual Annuity***
-54	9	$23,344	5	$ 2,319
55-59	1	4,261	6	14,943
60-64	1	212	16	32,500
65-69	3	8,293	39	108,399
70-74	5	5,270	68	96,384
75-79	5	10,403	136	282,230
80-84	9	3,538	122	218,477
85-89	7	1,499	114	223,499
90-94	1	439	38	84,531
95+	0	0	9	7,260
	41	$57,259	553	$1,070,542

* Prior to increase at January 1, 2008

Section 10 Actuarial Opinion and Cost Certificate

The Municipal Employees' Pension Plan

Forming part of the actuarial report dated May 2, 2008 on a valuation of the annuities underwritten under the Plan as at December 31, 2007.

I hereby certify that:

1. The purpose of this report was to determine the present value, as at December 31, 2007, of the future liabilities for all annuities underwritten by the Municipal Employees' Pension Plan.

2. The Plan's going-concern liabilities for all annuities underwritten at December 31, 2007 equal $31,276,000, compared to assets at that date of $34,812,000 or an excess of $3,536,000.

3. On a solvency basis, there is a shortfall of $124,000 at December 31, 2007.

4. If this part of the plan were to be wound-up on December 31, 2007, its assets would be less than its liabilities.

Notwithstanding the foregoing, emerging experience which differs from the assumptions on which this valuation and extrapolation are based, will result in gains or losses which will be revealed in subsequent valuations.

In my opinion, for the purposes of the valuation:

a. the data on which the valuation is based are sufficient and reliable;
b. the assumptions used are in, aggregate, appropriate;
c. the methods employed in the valuation are appropriate;
d. there are no subsequent events that occurred after the valuation date;

This valuation report has been prepared, and my opinions given, in accordance with accepted actuarial practice.

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

May 2, 2008

Section 11 Plan Sponsor Certification

With respect to the Annuities underwritten by the Municipal Employees' Pension Plan, forming part of an actuarial report on a valuation of the Plan as of 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 summarized in this report is a complete and accurate description of all persons who are entitled to benefits under the terms of the plan in respect of annuities issued to the date of the valuation.

(c) All events subsequent to the valuation date that may have an impact on the results of the valuation have been communicated to the actuary.

Date: May 5, 2008

Signed: E Ireland

Name: Elaine Ireland

Title: Manager, MEPP