



**Actuarial Valuation Report
As At December 31, 2009
On The Annuities
Underwritten by
The Municipal Employees' Pension Plan**

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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, 2009.
- (b) Determine how much surplus is 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.

This valuation will also be used as a basis to develop a strategy to manage the decline and natural conclusion of this annuity account within the MEPP fund.

The previous valuation report was prepared as of December 31, 2008. The most recent valuation filed with the regulatory authorities was prepared as of December 31, 2007. For the purposes of filing this valuation with the regulatory authorities, a summary of the changes in financial position from December 31, 2007 to December 31, 2008 under the minimum funding valuation has been included as Appendix A.

This valuation has been performed in accordance with a Funding Policy that was adopted by the Commission in respect of the defined benefit part of the plan in 2007. 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, 2008*, dated September 7, 2010 (the "DB Report"). This report provides greater detail on the Funding Policy and the minimum and maximum funding valuations.

RESULTS

Financial Position at December 31, 2009

A comparison of the financial position under the minimum and maximum funding valuations as at December 31, 2009 is as follows:

	(thousands of dollars)	
	Minimum Funding	Maximum Funding
Assets at market value	\$25,314	\$25,314
Liabilities	<u>27,332</u>	<u>30,014</u>
Surplus/(deficit)	(\$2,018)	(\$4,700)

The solvency valuation produces a shortfall as follows:

	(thousands of dollars)
Assets at market value	\$25,314
Adjustment*	1,271
Expenses of plan wind-up	<u>(493)</u>
Net assets for solvency purposes	\$26,092
Total solvency liabilities	<u>\$30,258</u>
Excess/(Shortfall)	(\$4,166)

* The adjustment to the assets is the effect of asset smoothing as permitted under *The Pension Benefits Regulations, 1993*.

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 all bases, 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.

SUBSEQUENT EVENTS

We are not aware of any events subsequent to the effective date of the valuation and up to the date of this report that are relevant to this valuation.

NEXT VALUATION

The most recent valuation report filed with the regulatory authorities was effective December 31, 2007. As this valuation is to be filed, the next valuation to be filed with the regulatory authorities should be effective no later than December 31, 2012. The Funding Policy indicates valuations are to be done annually.

Respectfully submitted,

ECKLER LTD.



A. Douglas Poapst, FSA, FCIA



K. Dawn Power, FSA, FCIA

August 23, 2010

Section 2 Asset Data

The annuity fund is kept separate on paper only. The following, taken from the audited financial statements, summarizes the changes in the assets of the annuity fund since the previous valuation based on market values:

(thousands of dollars)

	2009
At start	\$25,612
Transfer-in	268
Annuities Paid	(3,856)
Net investment income	3,368
Admin Expenses	<u>(78)</u>
At end	\$25,314

At the previous valuation, the market value was shown as \$25,661 based on the financial statements available when the valuation was prepared. The final statements show a December 31, 2008 value of \$25,612. The lower value is due to adjustments made to (i) change in market value, and (ii) administration and investment costs.

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 6.0%. For the previous minimum funding valuation we assumed that the investment return would be 6.5%.

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 Section 8, the results of the minimum funding valuation at December 31, 2009 compared with the results of the minimum funding valuation at December 31, 2008 are as follows:

	(thousands of dollars)	
	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Assets at market value	\$25,314	\$25,661
Liabilities	<u>27,332</u>	<u>28,363</u>
Surplus/(deficit)	(\$2,018)	(\$2,702)

3. Summary of Changes in Financial Position

At the previous valuation, the deficit reported was \$2,702,000. At this valuation the funding deficiency has improved to \$2,018,000 on the minimum funding valuation basis. The change in financial position is summarized as follows:

Surplus/(deficit) at December 31, 2008	(\$2,702,000)
Beginning of year asset adjustment	(49,000)
Interest on the above amounts at 6.5%	(179,000)
Net investment return in excess of 6.5% ¹	1,741,000
Mortality loss ²	(155,000)
New retirees in 2009 ³	51,000
Missing data at last valuation ⁴	(1,000)
Indexing in 2010 less than assumed ⁵	10,000
Programming refinement ⁶	140,000
Assumption change – interest and inflation ⁷	(840,000)
Assumption change – mortality ⁸	(32,000)
Balancing item	<u>(2,000)</u>
Surplus/(deficit) at December 31, 2009	(\$2,018,000)

Notes:

1. The investment return on the fund net of all expenses was 13.73% in 2009, compared to the 6.5% assumed.
2. The liabilities at the valuation are \$155,000 more than what they would have been if the mortality experience had been exactly consistent with that projected by the mortality assumption.

3. The liability for new retirees in 2009 at the valuation date is slightly less than the amounts transferred, less benefit payments, both with interest to the valuation date.
4. The data record for one surviving spouse was missing at the previous valuation.
5. Indexed annuities were increased by 1.21% at January 1, 2010, less than the assumed rate of 2.0%.
6. The valuation program was refined slightly to more accurately reflect the timing of monthly payments to annuitants.
7. At this valuation we assume future investment returns of 6.0% net of expenses and future increases to indexed annuities of 2.5% per year. At the last valuation, we assumed investment returns of 6.5% and indexing of 2.0%.
8. At the previous valuation we used the UP1994 table with mortality improvements projected to 2015. For this valuation we used a full generational projection of the UP94 table.

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 4.5%. At the previous valuation, the assumed future investment return was 4.0%.

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 Section 8, the results of the maximum funding valuation at December 31, 2009 compared with the results of the funding valuation at December 31, 2008 were as follows:

	(thousands of dollars)	
	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Assets at market value	\$25,314	\$25,661
Liabilities	<u>\$30,014</u>	<u>\$33,160</u>
Surplus/(deficit)	(\$4,700)	(\$7,499)

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@2020 mortality table and a discount rate of 4.50%. This is the basis recommended by the Canadian Institute of Actuaries for the valuation of immediate pensions in solvency valuations at December 31, 2009.

b. Methods

For the asset value, in the previous valuation we used the market value of assets. For this valuation we use a method which smoothes out the investment returns over a period of 5 years, as permitted under *The Pension Benefits Regulations, 1993*. We calculate the investment return assuming that the fund earned 4.3% each year net of investment fees (the weighted average rate that applies to the solvency valuation in the first 10 years) and the balance of the actual investment income is smoothed over 5 years. In 2009, for example, an investment return of 4.3% would have required investment earnings of \$48.833 million. In 2009 the fund earned \$161.378 million net of investment fees. The excess of \$112.545 million is recognized at the rate of 20% over the 5 years 2009 to 2013.

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

	(000's)
Market value of total fund (including annuity fund)	\$1,283,192
2009 excess over 4.3% 112,545 Unrecognized (80%)	(90,036)
2008 excess over 4.3% (291,676) Unrecognized (60%)	175,006
2007 excess over 4.3% (4,112) Unrecognized (40%)	1,645
2006 excess over 4.3% 110,738 Unrecognized (20%)	<u>(22,148)</u>
Investment reserve	64,467
Actuarial value of total fund (incl. annuity fund)	\$1,347,659
Or	105.02% of market value

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

Market value	\$25,314
Adjustment 5.02% (asset smoothing)	<u>1,271</u>
Actuarial value	\$26,585

c. 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:

	<u>(thousands of dollars)</u>	
	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Assets at market value	\$25,314	\$25,661
Adjustment*	1,271	
Expenses of plan wind-up	<u>(493)</u>	<u>(511)</u>
Net assets for solvency purposes	\$26,092	\$25,150
Liabilities	<u>30,258</u>	<u>31,365</u>
Excess/(shortfall)	(\$4,166)	(\$6,215)

* The adjustment to the assets is the effect of asset smoothing as permitted under *The Pension Benefits Regulations, 1993*.

3. Summary of Changes in Solvency Position

At the previous valuation, there was a shortfall of \$6,215,000 on a solvency basis. At this valuation the amount of the shortfall has improved to \$4,166,000. The change in the solvency position may be summarized as follows:

Excess/(shortfall) at December 31, 2008	(\$6,215,000)
Beginning of year asset adjustment	(49,000)
Interest on the above amounts at 4.85%	(304,000)
Net investment return more than 4.85%	2,135,000
Change in method for asset value	1,271,000
Mortality loss	(171,000)
New retirees in 2009	7,000
Missing data at last valuation	(2,000)
Indexing in 2010 less than assumed	10,000
Programming refinement	142,000
Assumption changes	(1,034,000)
Expenses	43,000
Balancing item	<u>1,000</u>
Excess/(shortfall) at December 31, 2009	(\$4,166,000)

Notes:

- Sources of gain and loss are described in Section 3 with the reconciliation on the minimum funding basis;
- The solvency interest rate at the previous valuation was 4.85% and has decreased to 4.50% for this valuation. The effect of this change combined with the increase in the inflation assumption from 2.0% to 2.5% and the change in mortality from UP94@2015 to UP94@2020 (i.e., 5 more years of improvement) is a loss of \$1,034,000 shown above as a loss due to assumption changes;
- For this solvency valuation the assets are based on smoothed market value as permitted under *The Pension Benefits Regulation, 1993*. In the previous valuation, market value was used.
- The provision for wind-up expenses has decreased from the previous solvency valuation due to the decrease in the number of annuitants, producing a gain of \$43,000.

Section 6 Cash Flow Projection

The following table shows the projected annual annuity payments for the next 54 years assuming no new annuities are added and mortality on the minimum and maximum funding basis. 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
2010	3,669,000	2037	155,000
2011	3,467,000	2038	128,000
2012	3,265,000	2039	105,000
2013	3,061,000	2040	86,000
2014	2,858,000	2041	70,000
2015	2,655,000	2042	56,000
2016	2,457,000	2043	45,000
2017	2,261,000	2044	36,000
2018	2,074,000	2045	28,000
2019	1,892,000	2046	22,000
2020	1,719,000	2047	18,000
2021	1,554,000	2048	14,000
2022	1,398,000	2049	11,000
2023	1,252,000	2050	8,000
2024	1,114,000	2051	7,000
2025	988,000	2052	5,000
2026	871,000	2053	4,000
2027	765,000	2054	3,000
2028	668,000	2055	2,000
2029	581,000	2056	2,000
2030	502,000	2057	1,000
2031	432,000	2058	1,000
2032	370,000	2059	1,000
2033	315,000	2060	1,000
2034	266,000	2061	1,000
2035	224,000	2062	1,000
2036	187,000	2063	0

Section 7 Summary of Plan Provisions

This section 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, 2010 was 1.21%. 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. 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.

The rationale for the selection of the assumptions is explained in the DB Report (referred to in the Introduction to Section 1 Executive Summary)

A summary of the actuarial assumptions used in the December 31, 2009 valuation is as follows:

Mortality:

2008 Valuation	Minimum and Maximum funding valuations: UP94 Projected to 2015
	Solvency valuation: UP94 Projected to 2015
2009 Valuation	Minimum and Maximum funding valuations: Full generational projection of UP94
	Solvency valuation: UP94 Projected to 2020

Interest:

2008 Valuation	Minimum funding valuation: 6.50% Maximum funding valuation: 4.00% Solvency valuation: 4.85%
2009 Valuation	Minimum funding valuation: 6.00% Maximum funding valuation: 4.50% Solvency valuation: 4.50%

Future Indexing (Indexed Annuities):

2008 Valuation	2.00% on January 1, 2010 and annually thereafter
2009 Valuation	2.50% on January 1, 2011 and annually thereafter

Future Increases (Non-Indexed Annuities):

2008 and 2009 Valuation	None
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Expenses of plan wind-up:

2008 and 2009 Valuation	\$300 per member
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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, 2009 by the Public Employees Benefits Agency. The indexed annuities data did not include the increase of 1.21% granted to indexed annuities as of January 1, 2010 but adjustments were made to include the effect of the increase in the liabilities. 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, 2008 valuation data. We also performed a reconciliation of the plan membership from December 31, 2008 to December 31, 2009

The following is a reconciliation of the members from December 31, 2008 to December 31, 2009. A summary of the data follows:

	Annuitants	Survivors	Total
Annuitants at December 31, 2008	1,099	604	1,703
Data adjustment*	-	1	1
New annuitants	4	-	4
Deaths – no further payments	(35)	(31)	(66)
Deaths with surviving spouses	(28)	28	-
Deaths with other beneficiaries	(1)	3	2
Beneficiaries' benefits expired	—	—	—
Annuitants at December 31, 2009	1,039	605	1,644

* there was one surviving spouse excluded at the last valuation in error

SUMMARY OF DATA AT DECEMBER 31, 2009

	Annuitants	Survivors
Number of annuitants	1,039	605
Total annual payment*	\$2,595,000	\$1,163,000
Average annual payment*	\$2,498	\$1,923
Average age	80.1	79.2
Average period since commencement of annuity	16.8 years	21.2 years

* Includes increase at January 1, 2010

Of the total annual payment amount shown above, \$96,000 is subject to indexing.

MEMBERSHIP DISTRIBUTION - ANNUITANTS

	Males		Females	
	No.	Annual Annuity*	No.	Annual Annuity*
< 55	0	\$ 0	0	\$ 0
55-59	4	4,043	1	8,637
60-64	10	21,236	4	5,785
65-69	24	66,871	18	39,872
70-74	90	211,637	46	55,613
75-79	205	514,083	78	60,738
80-84	224	687,005	80	117,805
85-89	115	311,702	58	83,616
90-94	44	296,994	23	45,880
95+	<u>8</u>	<u>43,791</u>	<u>7</u>	<u>20,108</u>
	724	\$2,157,362	315	\$438,054

* Includes increase at January 1, 2010

MEMBERSHIP DISTRIBUTION - SURVIVORS

	Males		Females	
	No.	Annual Annuity*	No.	Annual Annuity*
< 55	8	\$7,383	7	\$9,868
55-59	1	4,261	7	18,009
60-64	4	782	16	20,317
65-69	1	103	32	86,610
70-74	4	11,773	65	109,957
75-79	8	12,444	128	282,628
80-84	4	709	125	206,924
85-89	11	5,224	128	257,712
90-94	2	1,602	45	119,840
95+	<u>1</u>	<u>439</u>	<u>8</u>	<u>6,550</u>
	44	\$44,720	561	\$1,118,415

* Includes increase at January 1, 2010

Section 10 Actuarial Opinion and Cost Certificate

The Municipal Employees' Pension Plan

Forming part of the actuarial report dated August 23, 2010 on a valuation of the annuities underwritten under the Plan as at December 31, 2009.

I hereby certify that:

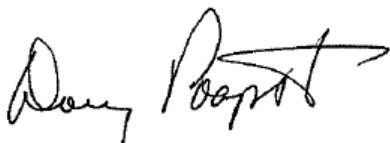
1. The purpose of this report is to determine the present value, as at December 31, 2009, of the future liabilities for all annuities underwritten by the Municipal Employees' Pension Plan.
2. The Plan's going-concern liabilities for all annuities underwritten at December 31, 2009 are equal \$27,332,000, compared to assets of \$25,314,000 or a deficit of \$2,018,000.
3. On a solvency basis, there is a shortfall of \$4,166,000 December 31, 2009.
4. If this part of the plan were to be wound-up on December 31, 2009, assets would be less than liabilities.

Notwithstanding the foregoing, emerging experience which differs from the assumptions on which this valuation is 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 for the valuation are appropriate;

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



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

August 23, 2010

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, 2009:

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.

August 26, 2010
Date



Public Employees Benefits Agency
Plan Administrator

Appendix A Reconciliation 2007 – 2008

At the valuation effective December 31, 2007, the surplus reported in the minimum funding valuation was \$3,536,000. As of December 31, 2008, there is a funding deficiency of \$2,702,000. The changes in financial position may be summarized as follows:

Surplus at December 31, 2007 (the "previous valuation")	\$3,536,000
Interest on surplus at 6%	212,000
Net investment return less than 6% ¹	(7,465,000)
Mortality gain ²	134,000
New retirees in 2008 ³	49,000
Indexing in 2009 more than assumed ⁴	(11,000)
Programming refinement ⁵	(25,000)
Assumption change ⁶	870,000
Balancing item	(2,000)
Surplus/(deficit) at December 31, 2008 ("this valuation")	(\$2,702,000)

Notes:

1. The investment return on the fund net of all expenses was -16.63% in 2008, compared to the 6.0% assumed.
2. The liabilities at the valuation are \$134,000 less than what they would have been if the mortality experience had been exactly consistent with that projected by the mortality assumption.
3. The liability for new retirees in 2008 at the valuation date is slightly less than the amounts transferred, less benefit payments, both with interest to the valuation date.
4. Indexed annuities were increased by 3.31% at January 1, 2009, higher than the assumed rate of 2.2%.
5. The valuation program was refined slightly to more accurately reflect the timing of future increases to indexed annuities.
6. At this valuation we assume future investment returns of 6.5% net of expenses and future increases to indexed annuities of 2.0% per year. At the last valuation, we assumed investment returns of 6.0% and indexing of 2.2%.