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Executive Summary

An actuarial valuation has been prepared on the Annuities Underwritten by The Municipal Employees' Pension Plan (the "Plan") as at December 31, 2014 to meet the requirements of a Funding Policy adopted by the Municipal Employees' Pension Commission (the "Commission") to provide a framework for the sound financial management of the Plan and to assist the Commission in its decision-making process, its development of recommendations to the Minister of Finance and its communication with stakeholders. This section provides an overview of the important results and the key valuation assumptions which have had a bearing on these results. The next actuarial valuation for the purpose of filing with the regulatory authorities should be performed no later than as at December 31, 2016.

Summary of Principal Results

	December 31, 2014		December 31, 2013	
	Management	Solvency	Management	Solvency
Assets	\$ 21,289,000	\$ 20,906,000	\$ 20,439,000	\$ 20,036,000
Liabilities	<u>18,249,000</u>	<u>23,063,000</u>	<u>18,894,000</u>	<u>22,561,000</u>
Surplus/(Deficit)	\$ 3,040,000	\$ (2,157,000)	\$ 1,545,000	\$ (2,525,000)

Key Assumptions

The principal assumptions to which the valuation results are most sensitive are outlined in the following table.

	December 31, 2014		December 31, 2013	
	Management	Solvency	Management	Solvency
Discount rate	6.2%	2.2%	6.5%	3.6%
Inflation rate	2.5%	2.8%	2.5%	3.44%
Mortality table	Males: 115% of CPM Private Females: 100% of CPM Private	UP94 generational	UP94 generational	UP94 generational

Respectfully submitted,



David R. Larsen, FSA, FCIA
Partner



Johanan Schmuecker, ASA, ACIA
Consultant

May 1, 2015

Section 1: Introduction

Purpose and Terms of Engagement

We have been engaged by the Municipal Employees' Pension Commission and hereafter referred to as the "Commission", to conduct an actuarial valuation of the Annuities underwritten by Municipal Employee's Pension Plan (the "Plan") as at December 31, 2014 in accordance with the Plan's funding policy, based on the actuarial assumptions and methods summarized herein. More specifically, the purposes of the valuation are to:

- Determine the financial position of the Plan on a best estimate going concern basis as at December 31, 2014;
- Determine the financial position of the Plan on a solvency basis as at December 31, 2014;
- Determine how much surplus, if any, is available for increase to the non-indexed annuities on an excess interest basis; and
- Provide cash flow projections of the annuities paid from the Plan.

The results of this report may not be appropriate for accounting or regulatory filing purposes or any other purposes not listed above.

While we have been engaged by the Commission to conduct this actuarial valuation, we note that the users of our work may well extend to parties external to the Commission. Out of respect for the Commission's confidentiality, however, we shall not undertake to communicate the terms of our engagement or results of our work with such other users unless so directed by the Commission.

The next required valuation for regulatory filing purposes will be as at December 31, 2016.

Summary of Changes Since the Last Valuation

The last such actuarial valuation in respect of the Plan was performed as at December 31, 2013. Since the time of the last valuation, we note that the following best estimate assumptions have changed:

- The discount rate has changed from 6.5% to 6.2%; and
- The mortality table has changed from the UP94 mortality table with generational projection using Scale AA to 115% of the 2014 CPM Private Sector for males and 100% of the 2014 CPM Private Sector for females.

Information and Inputs

In order to prepare our valuation, we have relied upon the following information:

- Membership data compiled as at December 31, 2014 by the Public Employees Benefits Agency (PEBA);
- Asset data taken from the Plan's audited financial statements; and
- A copy of the act and regulations governing the Plan.

Furthermore, our actuarial assumptions and methods have been chosen to reflect our understanding of the Commission's desired funding objectives with due respect to accepted actuarial practice in Canada and the Plan's funding policy.

Subsequent Events

As of the date of this report, we have not been made aware of any subsequent events which would have an effect on the results of this valuation. However, the following points should be noted in this regard:

- Actual experience deviating from expected after December 31, 2014 will result in gains or losses which will be reflected in the next actuarial valuation report; and
- To the best of our knowledge, the results contained in this report are based on the regulatory and legal environment in effect at the date of this report and do not take into consideration any potential changes that may be currently under review. To the extent that actual changes in the regulatory and legal environment transpire, any financial impact on the Plan as a result of such changes will be reflected in future valuations.

Section 2: Management Valuation Results

Financial Position of the Plan under Management Valuation

The management valuation provides an assessment of the Plan's financial position at the valuation date on the premise that the Plan continues on into the future indefinitely.

The selection of the applicable actuarial assumptions and methods reflect the Plan's funding objectives, as communicated by the Commission, actuarial standards of practice, and pension standards.

On the basis of the funding policy, plan provisions, membership data, best estimate assumptions and methods, and asset information described in the Appendices, the financial position of the Plan under the management valuation as at December 31, 2014 is shown in the following table. The results as at December 31, 2013 are also shown for comparison purposes.

Financial Position under Management Valuation

	December 31, 2014	December 31, 2013
Market Value of Assets	\$ 21,289,000	\$ 20,439,000
Going Concern Liabilities		
Former plan pensions	\$ 11,930,000	\$ 12,746,000
Pensions from excess contributions	<u>6,319,000</u>	<u>6,148,000</u>
Total Liabilities	\$ 18,249,000	\$ 18,894,000
Surplus/(Unfunded Liability)	\$ 3,040,000	\$ 1,545,000

Change in Financial Position

During the period from December 31, 2013 to December 31, 2014, the financial position of the Plan changed from a surplus of \$1,789,000 to a surplus of \$3,040,000. The major components of this change are summarized in the following table.

Reconciliation of the Financial Position under Management Valuation For the Period from December 31, 2013 to December 31, 2014

Surplus/(Unfunded Liability) as at December 31, 2013	\$ 1,545,000
Change in mortality table to 112% of CPM Private	<u>244,000</u>
Revised Surplus/(Unfunded Liability) as at December 31, 2013	\$ 1,789,000¹
Expected interest on surplus (unfunded liability)	<u>116,000</u>
Expected Surplus/(Unfunded Liability) as at December 31, 2014	\$ 1,905,000
<hr/>	
Change in liabilities due to experience gains/(losses)	
Gain from investment earnings greater than expected	2,223,000
Gain due to new retirees	4,000
Gain on indexation less than expected	1,000
Loss on mortality experience	(333,000)
Loss due to data corrections	<u>(6,000)</u>
Surplus/(Unfunded Liability) as at December 31, 2014 before assumption changes	\$ 3,794,000
Change in discount rate assumption	(296,000)
Change in mortality assumption	<u>(458,000)</u>
Surplus/(Unfunded Liability) as at December 31, 2014	\$ 3,040,000

¹ As shown in the Alternate Assumption Analysis section of the December 31, 2013 annuity valuation report.

Management Valuation Sensitivity Results

In accordance with the Canadian Institute of Actuaries Standards of Practice specific to pension plans that became effective December 31, 2010, the table below presents the sensitivity of the management liabilities of using a discount rate 1% lower than that used for the management valuation.

	Valuation Basis	Based on Rate of	Effect	
	December 31, 2014	1% Lower	\$	%
Management liabilities	\$ 18,249,000	\$ 19,311,000	\$ 1,062,000	5.8%

Note that using a discount rate 1% higher than that assumed would result in a comparable reduction in the Plan's liabilities.

Alternate Assumption Analysis

The following table outlines the impact of using alternate assumptions for the mortality table. In light of the mortality study that was performed for MEPP, we have analyzed two alternative mortality assumptions. The first alternative uses the same assumption that was used for the December 31, 2013 filing valuation, which is the 2014 CPM-Private mortality table, with mortality rates increased by 12%. The second alternative is the mortality rates at the bottom end of the 90% confidence interval from the mortality study, which is 107% of the 2014 CPM-Private mortality table for males and 85% for females.

Management Results	Liabilities (\$000s)	Funded Status (\$000s)	Funded Ratio (%)
Base Results (115%/100% of CPM Private)	\$ 18,249	\$ 3,040	116.7%
112%/112% of CPM-Private	\$ 17,777	\$ 3,512	119.8%
107%/85% of CPM-Private	\$ 19,218	\$ 2,071	110.8%

Section 3: Solvency Valuation Results

Solvency Financial Position of the Plan

The solvency valuation is a financial assessment of the Plan that is required by the Plan's funding policy and is performed in accordance with requirements prescribed by *The Pension Benefits Act, 1992* (Saskatchewan) (the "Act"). It is intended to provide an assessment of the Plan's financial position at the valuation date on the premise that certain obligations as prescribed by the Act are settled on the valuation date for all members.

On the basis of the plan provisions, membership data, solvency assumptions and methods and asset information described in the Appendices, as well as the requirements of the Act, the solvency financial position of the Plan as at December 31, 2014 is shown in the following table. The solvency financial position of the Plan as at December 31, 2013 is shown for comparison purposes.

Solvency Financial Position

	December 31, 2014	December 31, 2013
Assets		
Solvency assets	\$ 21,289,000	\$ 20,439,000
Estimated wind up expenses	<u>(383,000)</u>	<u>(403,000)</u>
Total Assets	\$ 20,906,000	\$ 20,036,000
Solvency Liabilities		
Former plan pensions	\$ 14,703,000	\$ 14,897,000
Pensions from excess contributions	<u>8,360,000</u>	<u>7,664,000</u>
Total Liabilities	\$ 23,063,000	\$ 22,561,000
Solvency Surplus/(Deficiency)	\$ (2,157,000)	\$ (2,525,000)

Solvency Valuation Sensitivity Results

In accordance with the Canadian Institute of Actuaries Standards of Practice specific to pension plans that became effective December 31, 2010, the table below presents the sensitivity of the solvency liabilities to using a discount rate of 1% lower than that used for the solvency valuation.

	December 31, 2014	Based on Rate of 1% Lower	Effect	
			\$	%
Solvency liabilities	\$ 23,063,000	\$ 24,755,000	\$ 1,692,000	7.3%

Note that using a discount rate 1% higher than that assumed would result in a comparable reduction in the solvency liabilities.

Incremental Cost on a Solvency Basis

The incremental cost on a solvency basis represents the present value at December 31, 2014 of the expected aggregate change in the solvency liabilities between December 31, 2014 and the next calculation date, which is December 31, 2015. For a plan that only includes members in receipt of annuity benefits, it is expected that the liabilities will decline by the amount of expected benefit payments, so the incremental cost on a solvency basis, for the period from December 31, 2014 to December 31, 2015 is \$0.

Section 4: Cash Flow Projection

The following table shows the projected annual annuity payments for the next 52 years assuming no new annuities are added and mortality on the management valuation 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
2015	\$ 2,691,000	2041	\$ 111,000
2016	2,507,000	2042	92,000
2017	2,322,000	2043	76,000
2018	2,141,000	2044	62,000
2019	1,964,000	2045	51,000
2020	1,795,000	2046	41,000
2021	1,632,000	2047	34,000
2022	1,480,000	2048	27,000
2023	1,337,000	2049	22,000
2024	1,202,000	2050	18,000
2025	1,077,000	2051	15,000
2026	962,000	2052	12,000
2027	856,000	2053	10,000
2028	760,000	2054	8,000
2029	667,000	2055	6,000
2030	588,000	2056	5,000
2031	516,000	2057	4,000
2032	452,000	2058	3,000
2033	395,000	2059	3,000
2034	343,000	2060	2,000
2035	297,000	2061	2,000
2036	256,000	2062	1,000
2037	219,000	2063	1,000
2038	187,000	2064	1,000
2039	158,000	2065	-
2040	133,000	2066	-

Appendix A: Glossary of Terms

- The **estimated wind up expenses** is an estimate of the administrative and other expenses expected to be charged against the pension fund if the Plan were to terminate on the valuation date.
- The **management liabilities** are the actuarial present value of benefits earned in respect of service prior to the valuation date. The going concern liabilities are calculated using the going concern assumptions and methods summarized in Appendix D of this report.
- The **management financial position** is the difference between the actuarial value of assets and the going concern liabilities.
- **Solvency assets** are the market value of pension fund assets adjusted to reflect contributions, benefit payments, transfers and fees/expenses in-transit at the valuation date.
- The **solvency liabilities** are the actuarial present value of benefits earned in respect of service prior to the valuation date determined as if the Plan were wound up on the valuation date. The solvency liabilities are calculated using the solvency valuation assumptions summarized in Appendix E of this report.
- The **solvency surplus/(deficiency)** is the difference between the solvency assets (net of estimated wind up expenses) and the solvency liabilities.
- The **surplus/(unfunded liability)** is the difference between the actuarial value of assets and the management liabilities.

Appendix B: Assets

Market Value of Assets

The following is a summary of the composition of the Plan's assets by asset type. This has been taken from the Plan's unaudited financial statements.

	December 31, 2014	
	\$	%
Cash and short term	\$ 1,322,000	6.2%
Bonds	4,421,000	20.8%
Equities	6,786,000	31.9%
Private Equity	146,000	0.7%
Infrastructure	862,000	4.0%
Pooled Funds	7,767,000	36.5%
Net accounts receivable	<u>(15,000)</u>	<u>(0.1%)</u>
Total Invested Assets	\$21,289,000	100.0%

Target Asset Mix

The target asset mix of the fund, upon which the December 31, 2014 discount rate assumption has been based, is provided in the following table. This has been taken from the Plan's Statement of Investment Policies and Procedures dated November 2014.

	Minimum	Target	Maximum
Canadian Bonds – Corporate	7%	10%	13%
Canadian Bonds – Core Plus	7%	10%	13%
Canadian Bonds – Long-term Core Plus	7%	10%	13%
Canadian Bonds – Short Term	0%	5%	10%
Canadian Equities	10%	15%	20%
U.S. Equities (Large Capitalization)	2%	4%	6%
U.S. Equities (Small Capitalization)	2%	4%	6%
Non-North American Equities	2%	4%	6%
Global Equities	13%	18%	23%
Private Equity	0%	5%	8%
Infrastructure	4%	10%	13%
Real Estate	3%	<u>5%</u>	8%
		100.0%	

Reconciliation of Changes in Market Value of Assets

The table below reconciles changes in the market value of assets between December 31, 2013 and December 31, 2014.

	December 31, 2014	December 31, 2013
Market Value of Assets, Beginning of Year	\$ 20,439,000	\$ 21,852,000
Transfer-In	319,000	-
Annuities paid	(2,937,000)	(3,074,000)
Total investment income	3,741,000	1,926,000
Investment management expenses	(116,000)	(216,000)
Administration expenses	<u>(157,000)</u>	<u>(49,000)</u>
Market Value of Assets, End of Year	\$ 21,289,000	\$ 20,439,000
Adjustment for pending transfers-in	<u>-</u>	<u>-</u>
Adjusted Market Value of Assets, End of Year	\$ 21,289,000	\$ 20,439,000
Rate of return, net of all expenses	18.1%	8.2%

Appendix C: Membership Data

Source of Data

Data as to the membership of the Plan was compiled as at December 31, 2014 and provided by the Public Employees Benefits Agency. The relevant data required as of December 31, 2014 to carry out this valuation was extracted from these records. The data was checked for consistency with the previous valuation, general reasonableness, internal consistency and reconciled with the previous valuation's membership data. Data testing did not include an independent audit from source records to test for completeness and accuracy.

Data checks included, but were not limited to, a review of changes to annual pensions and personal data (i.e. birth dates, dates of hire, etc) from the previous valuation to this valuation, and any duplicate records. The checks were reviewed with the plan administrator and appropriate adjustments were made.

Membership Reconciliation – Total Annuities²

	Annuitants	Survivors	Total
December 31, 2013	776	565	1,341
New	6	-	6
Data correction	-	(1)	(1)
Death – No further payments	(30)	(37)	(67)
Death – To spouse/beneficiary	(32)	32	-
Beneficiary payment expiry	-	(3)	(3)
December 31, 2014	720	556	1,276

Membership Reconciliation – Former Plan Annuities

	Annuitants	Survivors	Total
December 31, 2013	283	322	605
New	-	-	-
Death – No further payments	(11)	(23)	(34)
Death – To spouse/beneficiary	(14)	14	-
Beneficiary payment expiry	-	(2)	(2)
December 31, 2014	258	311	569

² Annuitants receiving both a former plan annuity and an excess contribution annuity have been combined into one record for the purposes of this reconciliation.

Membership Reconciliation – Excess Contribution Annuities

	Annuitants	Survivors	Total
December 31, 2013	655	391	1,046
New	6	-	6
Data correction	-	(1)	(1)
Death – No further payments	(27)	(23)	(50)
Death – To spouse/beneficiary	(26)	26	-
Beneficiary payment expiry	-	(1)	(1)
December 31, 2014	608	392	1,000

Membership Data³

Former Plan Pension - Annuitants

	December 31, 2013	December 31, 2014
Membership	283	258
Average age	84.1 years	84.9 years
Average monthly annuity payment	\$345	\$348
Average period since commencement of annuity	22.2 years	23.1 years

Former Plan Pension - Survivors

	December 31, 2013	December 31, 2014
Membership	322	311
Average age	83.6 years	84.3 years
Average monthly annuity payment	\$247	\$253
Average period since commencement of annuity	25.9 years	26.5 years

³ All average pension amounts include the 2.39% increase at January 1, 2015 for indexed pensions.

Pension from Excess - Annuitants

	December 31, 2013	December 31, 2014
Membership	655	608
Average age	82.4 years	82.8 years
Average monthly payment from Excess	\$78	\$83
Average period since commencement of annuity	18.8 years	19.3 years

Pension from Excess - Survivors

	December 31, 2013	December 31, 2014
Membership	391	392
Average age	81.7 years	82.5 years
Average monthly payment from Excess	\$35	\$35
Average period since commencement of annuity	23.0 years	23.9 years

Appendix D: Management Assumptions and Methods

Actuarial Assumptions and Methods

A member's entitlements under a pension plan are generally funded during the period over which service is accrued by the member. The cost of each member's benefits is allocated in some fashion over the member's service. An actuarial valuation provides an assessment of the extent to which allocations relating to periods prior to a valuation date (often referred to as the actuarial liabilities) are covered by the plan's assets.

The management valuation provides an assessment of a pension plan on the premise that the plan continues on into the future indefinitely based on best estimate assumptions in respect of future events upon which a plan's benefits are contingent and methods that effectively determine the way in which a plan's costs will be allocated over the members' service. The true cost of a plan, however, will emerge only as experience develops, investment earnings are received, and benefit payments are made.

This appendix summarizes the assumptions and methods that have been used for the management valuation of the Plan at the valuation date. The assumptions and methods have been chosen to reflect our understanding of the Plan's funding objectives with due respect to accepted actuarial practice and regulatory constraints. For purposes of this valuation, the methods and assumptions were reviewed and changes as indicated were made.

Assumptions and Methods

The actuarial assumptions and methods used in the current and previous valuations are summarized below and described on the following pages.

	December 31, 2014	December 31, 2013
Economic Assumptions		
Discount rate, net of all expenses	6.2%	6.5%
Inflation rate	2.5%	Same
Investment expenses	Included in discount rate	Same
Non-investment expenses	Included in discount rate	Same
Demographic Assumptions		
Mortality	Males: 115% of CPM Private Females: 100% of CPM Private	UP94 with generational projection
Margin for adverse deviation	None	Same

Description of Actuarial Assumptions and Methods

Economic Assumptions

Discount Rate

We have used a discount rate of 6.2%.

The overall expected return (“best-estimate”) is 6.2%, which is based on an inflation rate of 2.5%, yielding a real rate of return on the pension fund assets of 3.7%. This best-estimate rate of return was developed using best-estimate returns for each major asset class in which the pension fund is invested and then using a building block approach, based on the Plan’s investment policy, to develop an overall best-estimate rate of return for the entire pension fund. Any additional gains from rebalancing and diversification have been included above.

In order to set the discount rate, we have incorporated the following adjustments to the overall expected rate of return:

Development of Discount Rate

Overall expected return					6.62%
Non-investment expenses					(0.40)%
Investment expenses					
Passive	(1)	(0.03)%			
Actively managed	(2)	<u>(0.60)%</u>			
			(1)+(2)		(0.63)%
Additional returns due to active management					0.60%
Interest rate overlay					<u>(0.00)%⁴</u>
Unrounded Discount Rate					6.19%

Therefore, we have arrived at a discount rate of 6.19% per year, which has been rounded to 6.20%. This assumption is best estimate and therefore contains no margins for adverse deviation.

Inflation Rate

The inflation rate is assumed to be 2.5% per year. This reflects our best estimate of future inflation considering current economic and financial market conditions.

⁴ It is worth noting that there is an expected additional return of roughly 0.2-0.5% due to the effect of the leveraged position of the plan as a result of the interest rate overlay. However, as there is some uncertainty as to its exact impact, we have not added any additional expected return from the overlay at this point. This component of the discount rate will continue to be monitored in future valuations.

Expenses

Since the discount rate has been established net of all investment expenses, no explicit assumption is required for all/investment expenses.

Demographic Assumptions

Mortality

During 2014, a mortality study was performed for a number of municipal defined benefit pension plans in Saskatchewan, including MEPP. The results of the study indicated that MEPP experiences statistically different mortality than other Saskatchewan municipal plans.

The results of the study indicate that a best estimate of the current mortality of the plan members is the 2014 CPM Private Sector Mortality Table, with base mortality rates adjusted as follows:

- Males: Base rates increased by 15% (i.e. 115% of base rates)
- Females: No adjustment (i.e. 100% of base rates)

In order to estimate future improvements in life expectancy, future mortality improvements have been estimated through the use of the unadjusted CPM-B projection scale, applied on a generational basis.

The previous valuation used the 1994 Uninsured Pensioner Mortality Table with generational mortality improvements in accordance with Scale AA and also provided results using the 2014 CPM Private Sector Mortality Table with base mortality rates increased by 12% for both males and females, and the CPM-B projection scale. This adjusted CPM table was used for the December 31, 2013 regulatory filing valuation and has been used as the starting point for the gain/loss analysis for this report.

Generational mortality rates depend on the year of birth of a member and vary by age. For example, the mortality rate at age 80 for a member age 70 at the valuation date (e.g. 42.28 expected deaths per 1,000 lives for males in the table below) will be higher than the mortality rate at age 80 for a member age 60 (e.g. 38.34 expected deaths per 1,000 lives for males in the table below) at the valuation date. The mortality rates decline due to projected mortality improvements over time.

Mortality rates per 1,000 lives at selected ages are as follows:

Mortality per 1,000 lives - Male

Mortality per 1,000 lives at each future age					
Current age	80	85	90	95	100
60	38.34	73.55	140.48	260.43	382.59
70	42.28	78.75	147.41	269.46	394.26
80	51.83	87.62	155.31	278.79	406.28
90	n/a	n/a	167.75	285.62	417.68

Mortality per 1,000 lives - Female

Current age	Mortality per 1,000 lives at each future age				
	80	85	90	95	100
60	23.86	45.98	91.78	177.10	287.21
70	26.08	49.22	96.31	183.24	295.97
80	30.00	54.56	101.47	189.58	304.99
90	n/a	n/a	109.60	194.23	313.55

Actuarial Cost Method

The single premium actuarial cost method was used to determine the actuarial liabilities. Under this method, the accrued liability at December 31, 2014 is determined as the lump sum required to fully fund the annuity payments at that date. Since the liabilities are fully funded with a lump sum transfer of assets there is no normal actuarial cost for the Fund. This is the same method as used in the previous valuation.

Asset Valuation Method

Market value, adjusted by in-transit cash flows was used as the actuarial value of assets for this valuation.

Appendix E: Solvency Assumptions and Methods

Valuation Assumptions

	December 31, 2014	December 31, 2013
Economic Assumptions		
Annuity purchase discount rate		
—Without indexation	2.20%	3.60%
—With indexation	(0.60%)	0.15%
Demographic Assumptions		
Mortality rates	1994 Uninsured Pensioner Mortality Table with fully generational projection scale AA (sex-distinct rates)	Same
Other		
Wind up expenses	\$383,000	\$403,000
Actuarial cost method	Unit credit	No change
Asset valuation method	Market value of assets adjusted to reflect in-transit items as of the valuation date	No change

Estimated Wind Up Expenses

Plan wind up expenses would normally include such items as fees related to preparation of the actuarial wind up report, fees imposed by a pension supervisory authority, legal fees, administration, custodial and investment management expenses. We have estimated this to be \$300 per member, which is unchanged from the previous valuation.

Actuarial Cost Methods

Unit credit (accrued benefit) cost method as prescribed.

Asset Valuation Method Considerations

Assets for solvency purposes have been determined using market value.

Appendix F: Summary of Plan Provisions

This section contains a brief summary of the provisions of the Plan that are relevant for valuation purposes as it pertains to annuity benefits:

Life Annuities

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

- rates of interest offered at the time the annuity commences; and
- 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 Saskatchewan 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, 2014 was 1.29% and the increase at January 1, 2015 was 2.39%. 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.

Appendix G: Administrator Certification

With respect to the Annuities Underwritten by the Municipal Employee's Pension Plan, forming part of the actuarial report as at December 31, 2014, I hereby certify that, to the best of my knowledge and belief:

- The asset data contained in Appendix B of this report is complete and accurate;
- The membership data summarized in Appendix C of this report form 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;
- The summary of the Plan provisions contained in Appendix F is an accurate summary of the current Plan provisions; and
- The actuary has been notified of all relevant events subsequent to the valuation measurement date.

Date May 1, 2015

Signed 

Name Kevin Sockett

Title Manager, Pension Programs

Contact Information

David Larsen

Partner

Aon Hewitt

Retirement

+1.306.934.8691

dave.larsen@aonhewitt.com

Joe Schmuecker

Consultant

Aon Hewitt

Retirement

+1.306.934.8684

johanan.schmuecker@aonhewitt.com

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