



## How the Pension Plan Works

For many of us, our pension is our single largest asset. Because of the importance of your pension, we want to provide you with more information about how the Plan works. We have been asked: What happens to the contributions that are remitted to the Plan? How does the pension fund grow? What determines

how much you receive if you terminate or retire? Why are there certain provisions in the Plan?

MEPP will answer these and other questions through a series of articles in this and the next several issues of *MEPP Matters*. The first articles in this series examine how the Plan funds the payment of pensions. ■

## It Starts With Contributions

Since the start of the Municipal Employees' Pension Plan, July 1, 1973, members of the Plan have been contributing to the Plan and their contributions have been matched dollar for dollar by their employers. This requirement for employer matching of contributions has been part of the Plan since its inception.

Members and their employers have contributed \$395.7 million to the Plan since July 1, 1973. Of this amount, \$199.2 million was contributed by members and \$196.5 million was contributed by employers. In 1998 members were able to purchase half of their one-year waiting period and convert their service prior to July 1, 1973 to service with the current pension plan. This accounts for the \$2.7 million difference between the total member and total employer contributions.

Contributions to the Plan are just the starting point. If the Municipal Employees' Pension Commission relied on only the contributions, it would not be able to meet the pension obligations promised to the members. To ensure that the pension fund is sufficient to pay pensions to members, the Commission develops an investment policy and hires investment managers to invest contributions in accordance with the investment policy. The fund's long-term capital growth then provides the means to continue funding the pension liability and the cash flow required to pay pensions as they come due.

Just how important is the investment of contributions? At December 31, 2002, MEPP had \$917.8 million in assets. With total contributions of only \$395.7 million, the difference of \$522.1 million is the result of investment activity. Clearly, the investment of contributions is instrumental in ensuring that the Plan is able to pay the pensions earned by members. ■

## New on the Website

MEPP regularly posts communication material on the Public Employees Benefits Agency (PEBA) Website. Since the last issue of this newsletter was published, the following items have been posted:

*MEPP Matters, "Update on Valuation,"* a special edition of the newsletter, issued to provide a summary of the results of the actuarial valuation.

*Actuarial Valuation (MEPP)*, the Report on the Actuarial Valuation of the Plan as at December 31, 2001.

*Actuarial Valuation (MEPP Annuities)*, the Actuarial Valuation Report as at December 31, 2001 on the Annuities Underwritten by the Plan.

To see these and other publications, visit the MEPP home page on the PEBA Website at [www.peba.gov.sk.ca](http://www.peba.gov.sk.ca). ■

### In This Issue:

<i>Fund Investments</i>	
<i>Benefit Members</i> .....	2
<i>Commission's Composition</i>	
<i>to Change</i> .....	3
<i>More About the</i>	
<i>Commission</i> .....	3
<i>Dear MEPP</i> .....	4
<i>Missing Members</i> .....	4

# Fund Investments Benefit Members

On page 1, in the article “It Starts With Contributions,” it was indicated that the purpose of investing contributions is to ensure that the pension fund is sufficient to pay the pensions earned by Plan members.

In the past, under the guidance of the MEPP Commission, the Plan’s investment activity has provided investment returns that are in excess of what was required to pay the pensions earned by Plan members. Excess returns are called “surplus.” Surplus that grows beyond what is permitted by the *Income Tax Act* (Canada) is “excess surplus.” These excess surpluses have been used to provide improved benefits for Plan members. The approximate costs of the improved benefits are set out below:

Benefit Improvement	Effective Date	Cost to Fund (\$ million)
<b>Active Members</b>		
Improve Pension Formula	January 1, 1993	9.2
Miscellaneous Plan Improvements (e.g. adding 5 and 15-year guarantees to pension)	to 1997	3.2
Change Highest Average Salary to Highest 3 years	July 1, 1998	12.4
Increase Pension from 1.5% to 1.8% for Pre-1990 Service	July 1, 1998	8.2
Waiver of Contributions for Disabled Members	July 1, 1998	5.8
Grant One-Half of Waiting Period	July 1, 1998	4.0
5-Year Enhanced Early Retirement	January 1, 2001	28.8
Index Pensions for Service to December 31, 1998	January 1, 2001	36.1
Improve Benefit Accrual from 1.5% to 1.8% for 5 years	January 1, 2001	10.3
<b>Inactive Members/Deferred Members</b>		
Increase Pension from 1.5% to 1.8% for Pre-1990 Service	January 1, 2001	0.3
Grant One-Half of Waiting Period	January 1, 2001	0.6
Index Pensions for Service to December 31, 1998	January 1, 2001	2.9
<b>Pensioners</b>		
Every year since 1987, the Commission has provided increases to pensions at a cost of over \$30 million. In addition to these increases, the Commission has provided the following improvements to pensions:		
Change Highest Average Salary to Highest 3 years	July 1, 1998	6.5
Increase Pension from 1.5% to 1.8% for Pre-1990 Service	July 1, 1998	12.4
Index Pensions for Service to December 31, 1998	January 1, 2001	29.0

Visit us at: [www.peba.gov.sk.ca/mepp/mepphome.htm](http://www.peba.gov.sk.ca/mepp/mepphome.htm)

# Commission's Composition to Change

During 2002, the Minister of Finance retained Terry Stevens to review the composition of the MEPP Commission. Terry Stevens is a former employee of the Department of Labour. He has also served as the International Representative of the United Steel Workers of America.

The purpose of the review was to ensure that the Government of Saskatchewan's commitment to the concept of fair and equal representation between employees and employers on the Commission was met. Following completion of the review, Mr. Stevens issued a report that recommended changes to the membership of the Commission. The Minister of Finance has endorsed Mr. Stevens' recommendations. The Bill implementing these changes is now before the Legislature.

Essentially, the recommended changes are as follows:

- Commission membership will increase from nine to ten members;
- The Minister of Finance will no longer appoint the Chair of the Commission, rather:
  - The Chair will be elected by the Commission from its own membership,
  - The Chair is to alternate annually between employee and employer representatives;
- The Saskatchewan School Trustees Association will appoint two members to the Commission, rather than the current one. This is in recognition that School Divisions employ more than half the membership of MEPP;
- Trade Unions that represent members of the Plan will appoint one member. This is in recognition that about 30% of the members of the Plan are members of trade unions.

**After the changes are implemented, the Commission will consist of:**

<b>Appointing Organization</b>	<b>Number of Appointees</b>
<i>Employee Representatives</i>	
Trade Unions	1
Saskatchewan Association of School Business Officials	1
Rural Municipal Administrators' Association	1
Urban Municipal Administrators Association	1
Police Officers and Firefighters	1
<i>Employer Representatives</i>	
Saskatchewan School Trustees Association	2
Saskatchewan Urban Municipalities Association	1
Saskatchewan Association of Rural Municipalities	1
Regional Colleges/Regional Libraries	1
<b>Total</b>	<b>10</b>

The recommendations in Mr. Stevens' review have been published on the PEBA Website at [www.peba.gov.sk.ca/mepp/mepphome.htm](http://www.peba.gov.sk.ca/mepp/mepphome.htm). 🌱

## More About the Commission...

The Municipal Employees' Pension Commission (the Commission), is responsible for the Plan's investment, administration and communication activities.

Rod Quinton is the new Saskatchewan Association of School Business Officials (SASBO) representative on the MEPP Commission. He replaces Ron Walter who is currently serving as the Commission's chairperson.

Bill Wells replaces Dwight Welish as the Saskatchewan School Trustees Association (SSTA) representative.

Jim Reiter will replace Audrey Trombley, of the Rural Municipal Administrators Association of Saskatchewan (RMAA), on the 1st of July, 2003. 🌱

# Dear MEPP

*MEPPMatters* is looking for questions from members. If there is anything that you want to know about MEPP, please send your question to *Dear MEPP* for an answer. Here is a question that MEPP received recently:

**Dear MEPP:** What happens if I terminate--can I take out all the contributions and interest (my share and my employer's share)?

**Dear Member:** If you terminate before you are vested in the Plan, your funds are not locked in and you are not entitled to a pension. In this case you could withdraw only *your* contributions and interest from the Plan. Your employer's share of contributions and interest would remain in the Plan to help fund pensions.

If you are vested at termination your funds are locked in to provide you with a pension; therefore, you cannot withdraw any contributions and interest. In this case the Commuted Value (CV) of your pension is calculated. If your contributions and interest are greater than 50% of the CV, you have excess contributions which you can withdraw as cash or leave in the Plan to increase your pension.

In either case, when you terminate the process is automatic. Once MEPP receives the termination form and final contributions from your employer, we make the required calculations and send you a letter setting out your options.

For more information please see the Termination Options FOCUSsheet under the Publications tab on the PEBA Website at [www.peba.gov.sk.ca](http://www.peba.gov.sk.ca).

## Keeping in Touch...

If you know of any MEPP member who has not received this newsletter, please ask the member to contact us or have them forward their correct address to us. MEPP can be reached at 787-2684 (in the Regina area), toll free at 1-877-506-6377 (outside the Regina area) or by email at [mepp@peba.gov.sk.ca](mailto:mepp@peba.gov.sk.ca).

## Missing Members

Missing members are people we have not heard from in some time and who are no longer at the address last entered in our files. They are all entitled to benefits that they have not claimed. If you know any of the following members, please ask them to contact us (787-2684 in the Regina area or 1-877-506-6377 toll-free), or provide us with a telephone number so that we can contact them:

Pier Aline Collette  
Stephen M. Fuller  
Sharen Crawford  
Edward C. Smith  
Barbara A. Carrier  
Jenny Wilson  
Rick Braun  
Lorna Watkins  
Cecil Chiu  
Catherine Letwinetz  
Ronald Delkie  
Andrew L. Shaw  
Linda I. H. Bird  
Donna M. Bloom  
Dana W. Friesen  
Calvin Martin  
Elaine Shepherd  
Jaqueline Osoiwy  
Sean Nelson  
Leanne Bussiere  
Susan Adams  
Arthur L. Scholey

*MEPPMatters* is published as a service to the members of the Municipal Employees' Pension Plan. Suggestions are welcome.

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Website: [www.peba.gov.sk.ca](http://www.peba.gov.sk.ca)

This newsletter provides general information about the Municipal Employees' Pension Plan and its operation. It does not replace or supersede the legislation governing the Plan. The articles contained in this newsletter have been carefully compiled from sources believed to be reliable, but their accuracy cannot be guaranteed.

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