



MEPP MATTERS

MUNICIPAL EMPLOYEES' PENSION PLAN NEWSLETTER

Members Surveyed for Input

In 2009, the Municipal Employees' Pension Commission (MEPC) will be recommending to government either an increase in contribution rates, or a reduction of benefits, or some combination of those. The MEPC will be taking one of those actions so MEPP can ensure maintaining its current health and stability.

In October, active MEPP members were sent information and a survey card to gain the member insight into options for maintaining a healthy plan. The survey card was to be returned to the Public Employees Benefits Agency PEBA (as administrator for MEPP) by November 30, 2008. The member feedback will form an important part of any recommendation on the future of the Plan.

The survey is not the result of the global market problems of September and October. (See *MEPP and the Market* on page 4.) In fact it was spring 2008, when PEBA, on behalf of the MEPC first met with the organizations that appoint members to the Commission. Their discussions focused on options to keep the Plan fully funded. Since 1992, actuarial

valuations have shown that the contribution rates being paid into the Plan are not high enough.

General members pay 5.4% of their salary with employers matching. Police and firefighters (designated members), contribute 7.3% with an employer match. A December 31, 2006 actuarial valuation of the Plan indicates that to maintain the Plan's current benefit levels, contribution rates for members be increased



to 7.05% for general members and 9.55% for designated police and firefighters with employers matching those contributions. The December 31, 2007 actuarial valuation confirms that the current contribution rates are not paying for the benefits earned. (See the *Valuation Results* on page 2 and 3.)

Due to positive investment returns, Plan surpluses have been used to subsidize contribution rates for members and employers. Without the surplus, members and employers would have been paying higher contribution rates of about two percentage points.

The Plan cannot depend on surpluses to maintain the current contribution rate. Future surplus depends on a favorable investment climate that cannot be assured. With a disappearing surplus comes the threat of unfunded liability.

Without a contribution increase, the Commission would likely have to recommend decreasing future benefits. The reduction in benefits would only apply to benefits earned by existing employees in the future and to all benefits earned by new employees to the Plan.

The Commission would need to further consult with members before reducing benefits. A guiding principle in developing recommendations is that any benefit reductions considered would need to affect all members equitably.

2007 Valuation Results

The MEPP Commission uses the actuarial valuation to monitor the funding of the Plan. The two main objectives are to determine:

1. if the Plan has sufficient funds to pay all earned pensions and pensions currently being paid; and
2. whether contributions pay the value of pensions members are earning.

Objective 1: In the valuation process, an actuary determines the total value of the liabilities (pensions promised) of the Plan and compares that to the Plan's assets. If assets are greater than liabilities, the Plan is fully funded. This table summarizes the results of the actuarial valuation completed as at December 31, 2007.

Results: The actuarial valuation prepared by Eckler Ltd., consultants and actuaries, for the year ended December 31, 2007 showed that MEPP is fully funded with a small surplus of \$76 million (5.8% of net assets).

(Millions of Dollars)	
Assets	
Investments	\$1,378.8
Investment Reserve ¹	<u>(67.1)</u>
Net Assets	\$1,311.7
Liabilities	
Liabilities	<u>\$1,190.6</u>
Actuarial Surplus	\$121.1
Reserves	
Liability Reserve ²	38.0
Expense Reserve ³	<u>7.1</u>
Total Reserves	<u>45.1</u>
Total Liabilities	\$1,235.7
Surplus	\$76.0

Reserves are established to provide protection to the Plan.

¹ The investment reserve is established to cover a potential decline in the value of investments.

² The liability reserve is established to cover the shortfall in contributions expected over the next three years.

³ The expense reserve is established to cover administration expenses for the next three years.

Pensioner's Corner

Are you still there?

From time to time we need to verify that we are paying the correct pensions. This may sound silly, but there are instances where a pension has been paid to a deceased person because MEPP was not notified. The Plan has to try and recoup payments, and if they are uncollectable, the Plan ends up subsidizing these overpayments.

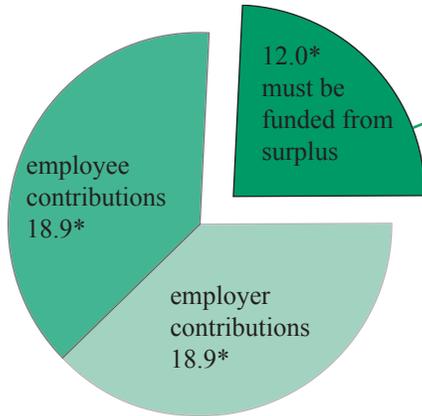
When the majority of pensioners received cheques it was more obvious if the pensioner was deceased – the cheques were not cashed. However, with direct deposit, unless the pensioner's bank account is closed – we may not find out the pensioner has died for some time. The person who takes over the estate may not always realize the payments should stop. So, for everyone's protection, from time to time we will attempt to ensure that the correct people are receiving pension payments. We will send out a letter which the pensioner must simply sign and return to the Public Employees Benefits Agency.

Watch for  MEPP ONLINE

In 2009 MEPP will be a new tool available to members.



Objective 2: The valuation compares the estimated value of benefits earned by members and the estimated employee and employer contributions expected in 2008 and identifies any gap or shortfall.



Full cost of benefits earned 49.8*
*in thousands of dollars

Results: The valuation results continue to show that contributions do not pay the full cost of the pensions being earned. The projected shortfall or gap for 2008 is \$12 million. This amount will be funded from surplus.

The Commission will be assessing contribution rates and benefits in 2009. Members were surveyed for input on the options being discussed - increasing contribution rates, lowering benefits, or a combination of those options. See cover article *Members Surveyed for Input*.

The complete Actuarial Valuation as at December 31, 2007 is posted on the MEPP website.

MOR_e in 2009
ONLINE RETIREMENT

Making a secure online retirement
statements. We call it **MOR_e**.

Season's Greetings

To You and Your Family
with Wishes for a
Happy Holiday Season and
a Prosperous New Year

From
Municipal Employees' Pension Commission
and the Public Employees Benefits Agency

Dear MEPP

Here is a question MEPP received recently:

Dear MEPP:

I recently received a letter from PEBA. Who is PEBA and what is their relationship to my pension plan (MEPP)?

Dear MEPP Member:

The Public Employees Benefits Agency (PEBA) is an agency in the Ministry of Finance, of the Government of Saskatchewan.

PEBA is contracted by the MEPC to look after the day-to-day operations of the Plan, such as handling telephone calls, responding to member requests, receiving contributions and making payments.

When you phone about the MEPP Plan you are calling PEBA; the person answering the phone is a PEBA employee. This newsletter and your member statements are sent to you from PEBA on behalf of the MEPC.

PEBA staff are knowledgeable, helpful and available for MEPP members.

MEPP and the Market

The troubles in the financial markets in September and October have, in turn, raised questions about the security of pensions.

There are two kinds of pension plans – defined benefit and defined contribution. The Municipal Employees' Pension Plan (MEPP) is a defined benefit pension plan.

In a defined contribution plan, it is the employee contributions and employer contributions and investment performance that make up their retirement income. In such a plan, plan members enjoy the rewards of positive investment performance and bear the impact of tough times. The decline of the markets has been felt more directly and immediately for defined contribution plans than for defined benefit plans.

In a defined benefit pension, the contributions of members and employers as well as the investment earnings from those contributions pay for pensions.

Defined benefit plans provide a pension benefit based on a formula.

MEPP has enjoyed positive investment returns over the years which have led to surpluses. Those Plan surpluses have subsidized contribution rates for members and employers. Extended poor market performance may lead to the need to consider additional contribution increases or reductions in future benefits.

MEPP has a long-term view on investing. MEPP diversifies investment risk by its asset mix and by having eight different professional investment managers invest its funds.

The Plan is continuing to operate as usual; members are continuing to earn benefits, as set out in the Plan (based on earnings and service). Retirees are continuing to receive their pension payments.

New Member Numbers

We've made changes to better protect your privacy. All members have been assigned random member numbers. This new number is your personal identifier with the Plan. Your member number will be shown on your next statement. MEPP Member Statements are scheduled to be sent out in March, 2009.

Please retain your member number to assist us in providing you with service.

You may address any inquiry or complaint regarding the administration of the Municipal Employees' Pension Plan to the Public Employees Benefits Agency (PEBA) at:

E-mail: mepp@peba.gov.sk.ca
Phone: Toll-free 1-877-506-6377 - In Regina 787-2684
Fax: 1-306-787-8822

1000 - 1801 Hamilton Street
REGINA SK S4P 4W3
Hours: Monday to Friday 8:00 a.m. to 5:00 p.m.

MEPP Matters is published as a service to the members of the Municipal Employees' Pension Plan (MEPP). This newsletter provides general information about MEPP 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. Suggestions are welcome.

Visit us at www.peba.gov.sk.ca/mepphome.htm

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