



# MEPP MATTERS

Fall 2011

## Update on MEPP's Funding Status

### 2010 Going-Concern Results

The Municipal Employees' Pension Commission (the Commission) uses the actuarial valuation to assess the financial health of the Plan. There are two types of valuations done annually: Going-Concern and Solvency.

The Going-Concern Valuation determines whether the Plan has the resources needed to continue to operate indefinitely.

In the Going-Concern 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, 2010. The valuation showed that MEPP had a surplus of \$59.6 million. This is down from last year's surplus of \$73.9 million.

The Going-Concern Valuation shows that the Plan is 104.4% funded. The funding target is 105%.

<b>Assets</b>	
Investments	\$1,372.6
Investment Reserve <sup>1</sup>	31.4
<b>Net Assets</b>	<b>1,404.0</b>
<b>Liabilities</b>	
<b>Actuarial Surplus</b>	<b>61.7</b>
Reserves	
Liability Reserve <sup>2</sup>	2.6
Expense Reserve <sup>3</sup>	(4.7)
<b>Surplus</b>	<b>\$59.6</b>

Reserves are established to provide protection to the Plan.  
<sup>1</sup> The investment reserve is established to cover a potential decline in the value of investments.  
<sup>2</sup> The liability reserve is established to cover the shortfall in contributions expected over the next three years.  
<sup>3</sup> The expense reserve is established to cover administration expenses for the next three years.

Assets at market value	\$1,372.6
Expenses of plan wind-up	(6.5)
Net assets for solvency purposes	1,366.1
Total solvency liabilities	1,433.1
Shortfall (Deficiency)	(\$67.0)

### 2010 Solvency Results

A Solvency Valuation helps the Commission assess whether the Plan has enough assets to pay the liabilities of the Plan if there were a hypothetical plan closure on the valuation date.

The Solvency Valuation shows a shortfall of \$67 million. This shows a decline from last year's solvency surplus of \$9.1 million. The Plan would not have enough assets to cover the liabilities if the Plan was closed down December 31, 2010.

Please see inside for more information on the December 2010 Valuation and the impact on members

# Holdbacks on Transfers Out of MEPP

As of September 30, 2011 MEPP must hold back 4.7% on most commuted value transfers.

The December 31, 2010 Solvency Valuation (front page) results show that MEPP is not 100% solvent - liabilities are greater than assets. The Plan is 95.3% solvent which means there is a shortfall of 4.7%. The Plan can only pay out 95.3% on transfers.

Now, some good news: The holdback amount plus interest will be paid to the member within five years of the initial transfer. Only members who leave their MEPP employer and choose to take their commuted value out of the Plan will have the holdback applied. If you leave your money in the Plan and take a MEPP pension you will not be affected by the holdback.

Normally a pension plan has five years to pay back a solvency deficiency. The Commission has elected for Temporary Solvency Deficiency Payment Relief. By applying for relief the Plan does not have to make solvency payments for the next three years. This means that the government has extended the timeframe for the Plan to review options to address the solvency

deficiency. The five years following the relief period will be used to fund the solvency deficiency.

The Commission must evaluate all options to ensure the long-term viability of the Plan. Because the Plan has applied for relief it cannot make benefit enhancements nor reduce contribution rates.

One of the requirements during the relief period is to holdback a portion of transfers out of the Plan. Another option that is recommended under the MEPP funding policy is that the Commission examine contribution rates for members and employers.

Please visit our website for some Frequently Asked Questions on the solvency issue and to view the full Actuarial Valuation as at December 31, 2010.

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*MEPP must hold back 4.7% of most commuted value transfers. The 4.7% holdback and interest will be paid to the member within five years of the initial transfer out.*

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## Who decides all this and how?

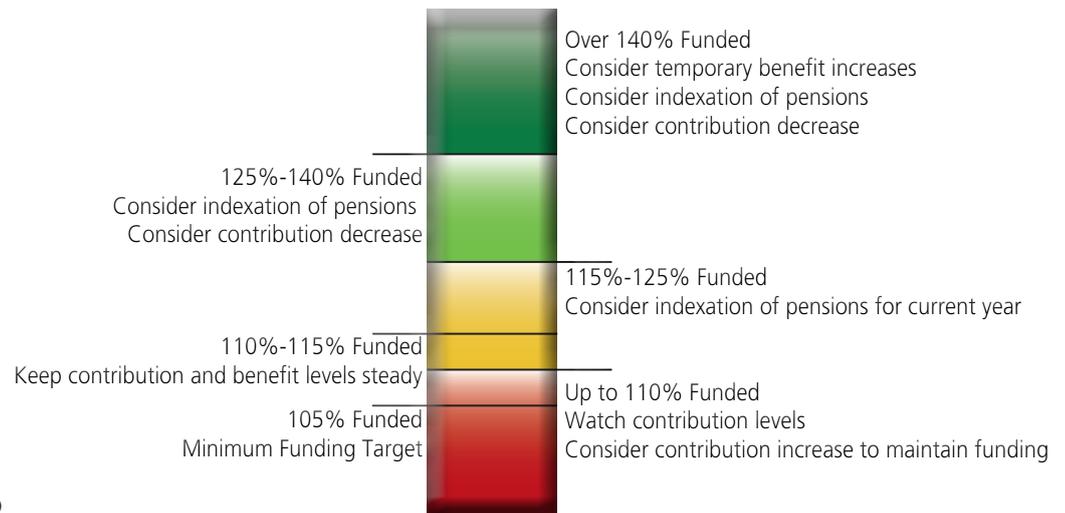
The short answer to the question of who decides and how, is that the Commission decides. They decide based on consultation with the Public Employees Benefits Agency, actuaries, pension regulators and by adhering to policies. In 2010 a funding policy was implemented and it includes established thresholds for determining contributions, indexation or temporary benefit improvements. The Commission decides what actions are appropriate based on funding levels.

As of December 31, 2010 the Plan was funded at 104.4% based on the Going-Concern Valuation. The minimum funding target is 105%.

The chart to the right guides the Commission in its recommendations and actions. According to the chart, when the funding rate is lower than 110% one of the recommendations is that the Commission consider increasing contribution rates to maintain funding levels.

Contributions rates will be increasing in 2013, please refer to the article on the facing page.

The MEPP Funding Policy is available on our website under publications.

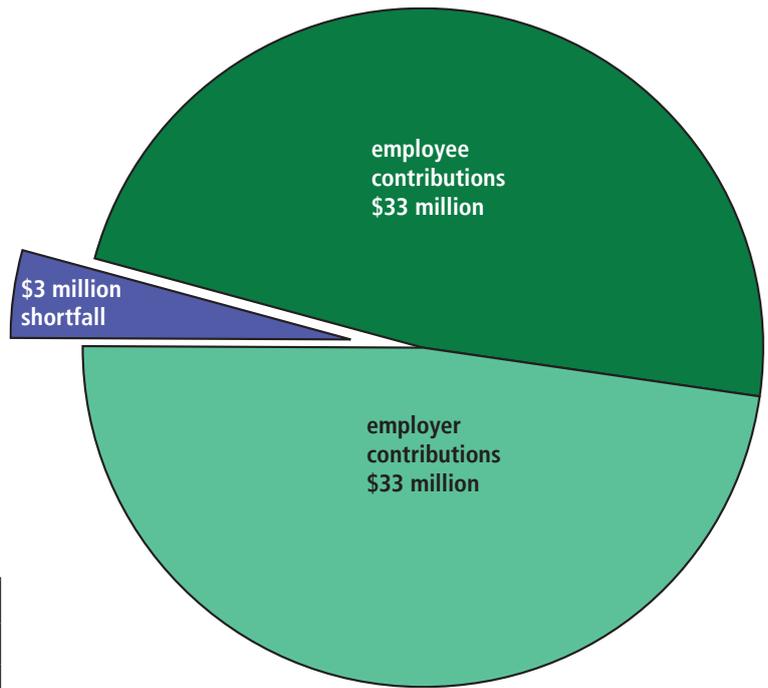


# Contribution Rates Increasing

Besides measuring assets against liabilities, the Going-Concern Valuation determines whether the contributions coming into the Plan are enough to cover the estimated value of benefits earned by members.

The December 31, 2010 valuation shows that contributions continue to fall short of the full cost of pensions being earned. The projected gap for 2011 is \$3 million. This amount must be funded from surplus.

Though the shortfall is shrinking – the 2009 valuation showed a gap of \$9.5 million – the Commission must maintain the long-term viability of the Plan. To do so, there will be a contribution increase for employers and employees effective January 1, 2013.



Projected cost of benefits earned for 2011: \$69 million

Contribution rates as of January 1, 2013		
	Members	Employers
General Members	8.15%	8.15%
Designated Members*	11.35%	11.35%

\*police and firefighters employed by a MEPP participating employer

# Improvements to Member Communications

Late in 2010 the Municipal Employees' Pension Plan surveyed the full membership and all MEPP employers. We wanted you to tell us how well the Plan is meeting your needs; what you like and don't like; how well we are serving and communicating with you and what you would like to see changed.

From those results, we have made some improvements to member communications. We are progressing toward more personalized statements for members. For example, if you don't qualify for a reduced pension, that estimate won't show for you, or if you have no deduction for spousal relationship breakdown that won't show.

We are also creating an online video. This will be a short explanation of the Annual Member Statement that you will view on our website. Watch for the video after you receive your Annual Member Statement next February.

The MEPP website is being streamlined in an effort to make it easier to find information. The website changes will be implemented early in the New Year.

Thank you for your feedback.

## A Message from the chair:

*The Municipal Employees' Pension Commission is committed to excellence in Plan governance and administration. MEPP staff continue to work hard to answer your questions and provide you with great service.*

*Please accept our most heart-felt wishes for a Happy Holiday Season and a Prosperous New Year.*

*Sincerely,*

Bonnie Ozirny

# Dear MEPP

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

**Dear MEPP:**

*I am leaving my job with a MEPP employer and I don't qualify for retirement. Will I have a holdback?*

**Dear Member:**

Holdbacks are applied based a couple things: whether or not you are vested (entitled to receive a pension from the Plan), and what you choose to do with your benefit after you leave your employer.

If you are **vested** and choose to **leave** your termination benefit in MEPP to receive a future pension – no holdback.

If you are **vested** and choose to **transfer** your termination benefit out of the Plan the 4.7% holdback will be applied. The holdback with interest will be paid to you within five years of your initial transfer. The holdback is paid in the same manner as the original transfer. *Please keep your address with MEPP current.*

If you are **not vested**, you can receive a refund of your contributions and interest – no holdback. If you are not vested and wish to leave your refund in MEPP, you can stay in the Plan for up to two years. Should you not become re-employed with a MEPP employer in that two years, MEPP will send you a refund of your contributions and interest – no holdback.

Please see the website for more questions and answers on the solvency issue.

## Attention Pensioners and Retiring Members

All MEPP pensions will continue to be paid in full. If you currently receive a pension, or are scheduled to begin receiving a pension from MEPP, the holdback does not affect you. Only those who choose to transfer their commuted value out of the Plan are affected by the 4.7% holdback.

## Commission Members

### Appointed on behalf of employers

Roland Zimmer	The Saskatchewan Urban Municipalities Association
Bonnie Ozirny	Saskatchewan School Boards Association
Ray Sass	Saskatchewan School Boards Association
Ray Orb	The Saskatchewan Association of Rural Municipalities
Allan Johnson	Appointed by associations that represent regional colleges as defined in <i>The Regional Colleges Act</i> and regional libraries as defined in <i>The Public Libraries Act, 1996</i>

### Appointed on behalf of employees

Don McCallum	The Rural Municipal Administrators' Association of Saskatchewan
Rory Griffith	The Saskatchewan Association of School Business Officials
Orrin Redden	The Urban Municipal Administrators' Association of Saskatchewan
Betty Moleski	Trade Unions that represent employees who are members of MEPP
Earl Braun	Associations that represent firefighters and police officers who are members of MEPP

## Express Address

Express Address is making moving easier.

It is a convenient way to update your address for your MEPP pension along with several other public services.

It is secure, easy to use and you choose which organizations receive your information.

Go to [expressaddress.com](http://expressaddress.com) today and make your move easier!

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.

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