



MEPP MATTERS

Fall 2013

Competing financial priorities? A guide to help you if you're in your 20s and 30s

This is the first in a two-part series about competing financial priorities and what areas to focus on depending on your age.

Bombarded with financial advice everywhere you go? Our team of CERTIFIED FINANCIAL PLANNER professionals suggests you focus on these five areas in your twenties and thirties – helping you build a solid financial foundation.

1. Set goals and create a budget

We all want to do or buy things. Whether it's paying off student loans, saving for a down payment, or taking a winter holiday, the best way to achieve these goals is by making a written plan (be very specific).

Next, create a budget that not only meets your monthly expenses, but lets you reach your goals. A free and helpful online tool is www.mint.com/Canada

2. Start an emergency fund

No-one knows what tomorrow will bring, so it's good to be prepared. Financial planners suggest you assess your current living expenses and set aside between three to six months of living expenses in a rainy day fund.

3. Pay down debt

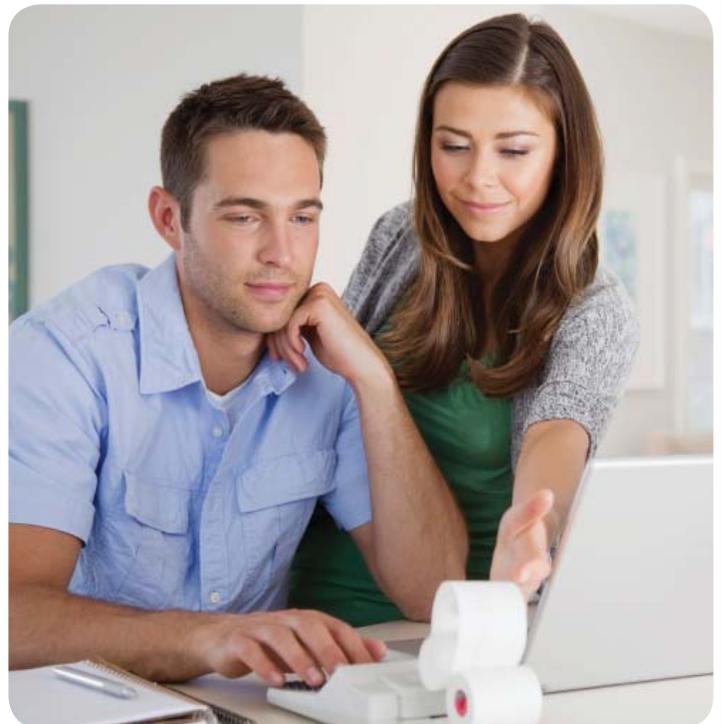
Before tackling your debt, consider these questions: What is the interest rate? Is the interest rate tax deductible, as with student loans? Are there hidden fees if you pay the balance early? Consider paying off debts with higher interest rates first. Most people

need to access credit at some point in their lives. Aim to keep your credit limit low and use it in a smart way.

4. Save and invest

Saving for major purchases and retirement are important. To help, there are two savings vehicles to consider: a Tax-Free Savings Account (TFSA) and a Registered Retirement Savings Plan (RRSP). Both have their advantages and serve a purpose. To learn more, visit www.tfsa.gc.ca/tfsarrsp-eng.html

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5. Rent or buy?

Home ownership isn't the obvious choice anymore. Do your research – you may be surprised when you crunch the numbers. Renting provides flexibility, along with huge savings from not paying such operating costs as property taxes, mortgage interest, and maintenance costs. Home ownership is as much an emotional decision as a financial one. For some, settling down in a certain neighbourhood and having a place to call their own makes sense.

Addressing each of these five areas in your younger years will go a long way to providing you with solid financial foundation later on in life.

MEPP By the Numbers

\$51.4
million
Total pension payments

46.9 average age
Active members

\$74.7 million
Net contributions

4.6 thousand
Pensioners

22.8 thousand
Plan members

\$1.6
billion
Total approximate assets

Source: 2012 MEPP Annual Report

MEPP Plan Review

Keeping Defined Benefit (DB) plans sustainable is one of the biggest challenges facing pension plans. This also holds true for the Municipal Employees Pension Plan (MEPP).

Plan sustainability is being significantly impacted by low interest rates, which require plans to set aside a lot more money to pay for future pensions due to a much slower rate of growth on investment assets.

These trends, along with other factors, have prompted the Municipal Employees' Pension Commission to engage in a review of the Plan's long-term sustainability using an independent consulting firm – Aon Hewitt.

There are six steps in the Plan review process:

Step 1: Acknowledgement

The process starts by assessing whether or not MEPP is sustainable, which it is at this point. Yet, constant market changes are driving the Commission to review current policies.

Step 2: Intervention

The next step focuses on asking whether fundamental changes are needed for the Plan's long-term survival.

Step 3: Exploration

If changes are required, the review will explore possible options.

Step 4: Evaluation

Then, the Commission will decide which options are best for all members and the employers. This is where the review is at currently.

Step 5: Validation

Next, the Commission will assess whether the selected options are able to meet the desired outcomes.

Step 6: Implementation

The final step involves making the changes a reality, but before that can happen, members, employers and others have to be consulted on the proposed changes. Any changes to the Plan are about two to three years away.

As a Plan member, this now gives you an overview of the Plan Review process. More importantly, we want to assure you that MEPP's leadership team is proactively exploring options that ultimately, will allow the Plan to be sustainable well into the future.

Update on MEPP's Funding Status

2012 Going-Concern Results

The Municipal Employees' Pension Commission (the Commission) uses the actuarial valuation to assess the financial health of the Plan. Two types of valuations are done for defined benefit pension plans, which include 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 (current pensions in pay and future pensions) of the Plan and compares that to the Plan's assets. If assets are greater than liabilities, the Plan is fully funded.

The table summarizes the results of the Going-Concern Valuation completed as of December 31, 2012. The valuation shows that MEPP had a surplus of \$50.7 million, which is a tremendous turnaround from the year before when MEPP had a deficit of \$137.4 million.

The Going-Concern Valuation shows that the Plan is 103.6% funded, which is slightly below the funding target of 105%.

Going-Concern Basis (Millions of Dollars)	
Assets	\$1,475.5
Liabilities & Reserves*	<u>1,424.8</u>
Surplus	<u>\$ 50.7</u>
Funded Ratio (%)	103.6

* Reserves are established to provide protection to the Plan.

2012 Solvency Results

Solvency Basis (Millions of Dollars)	
Assets	\$1,549.1
Liabilities & Reserves	<u>2,005.4</u>
Deficit	<u>(\$456.3)</u>
Funded Ratio (%)	77.2

A Solvency Valuation helps the Commission assess whether the Plan has enough assets to pay the Plan's liabilities if it were to close on the valuation date, as well as determine the holdback amount on termination benefits.

The Solvency Valuation shows a shortfall of \$456.3 million, which is a further decline from the previous year. This means that had the Plan closed on December 31, 2012, there would not have been enough assets to cover the Plan's liabilities.

The Plan's funding ratio as of December 31, 2012, is 77.2%, which is why the Commission has increased the holdback rate. See 'MEPP Updates.'

MEPP Updates

Contribution rates

Contribution rates will not increase in 2014.

Holdbacks

As of December 1, 2013, the holdback rate will be 22.8% – up from the previously reported rate of 21.9%. This rate will remain as is until the next valuation is filed. If you decide to take your benefit out of MEPP, the holdback will be applied to both

termination transfers and payouts. The holdback amount plus interest will be paid to you within five years of the initial payment date.

If you leave your benefit in the Plan, there is no holdback. All pensions continue to be paid in full.

For details on the holdback and contribution rates, visit www.peba.gov.sk.ca/mepphome.htm

Retire *WithEase*

Planning to attend a Retire*WithEase* Workshop? If not, you should. In 2012, over 400 MEPP members attended one of these workshops – an increase of 82 per cent from 2011! Most likely, some of your co-workers have already attended one.

Plus, the number of MEPP employer-hosted workshops went from only one in 2011 to 11 in 2012 as more and more MEPP employers see the value in helping their employees prepare for their retirement.

To register, go to the MEPP home page at www.peba.gov.sk.ca/mepphome.htm and then click on the Retire*WithEase* Workshop box on the right-hand side of the screen.



E-comm is a quick, easy and convenient way to be notified about the latest Plan news. Once you sign up, you will be notified by email when Plan information (like *MEPP Matters*) is available on the website.

To sign up, click on the e-Comm logo on the MEPP homepage.

Where are you?

Do you recognize any names on this list? If so, please ask them to contact MEPP as soon as possible.

David Abramenko
Gordon W. Curtis
Elsie Woytowich
Patricia Hagel
Bruce Williams
Sara Thiessen
Douglas Hay
James Stevenson
Douglas Ruchotzke
Eva Zacharias
Geraldine Pokletar
Barry E. Bailey
Dale Payne
Jason Force
Shirley Neudorf
Darren Morgan
Michael Sibley
Greg Martin
June Lehman
Amber Kosokowsky
Richard A. Jarrett
Aline Hannon
Bruce Brown
Gerald Tandler
John C. Degenstein
Shannon Tingle
Vernon Sawchuk
Malcolm Prentice
Valorie Millman
Arnold Coumont
Gerald Launiere
Garry McLeod
Darlene A. Case
Frances Gabrielson

Commission Members

Appointed on behalf of employers

Bonnie Ozirny, Chair	Saskatchewan School Boards Association
Beverly Crossman	Regional Colleges/Regional Libraries
Randy Goulden	Saskatchewan Urban Municipalities Association
Ray Orb	The Saskatchewan Association of Rural Municipalities
Wayne Steen	Saskatchewan School Boards Association

Appointed on behalf of employees

Rory Griffith, Vice-Chair	The Saskatchewan Association of School Business Officials
Randy Hurd	Associations representing Designated Police Officers and Firefighters
Brad Hvidston	The Urban Municipal Administrators' Association of Saskatchewan
Don McCallum	The Rural Municipal Administrators' Association of Saskatchewan
Betty Moleski	Trade Unions

This newsletter provides general information about MEPP and its operation. It does not replace or supersede the legislation governing the Plan.

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MEPP Matters keeps over 23,000 members up-to-date on Plan news and benefits.