



Mepp Matters

Proposed Plan changes: what you need to know

As a member of Municipal Employees Pension Plan (MEPP), you value MEPP's main purpose – to provide you with a lifetime pension benefit. At the same time, pension plan sustainability remains one of the biggest challenges facing most of Canada's defined benefit plans and this holds true for MEPP as well.

The Municipal Employees Pension Commission (the Commission) held member consultations in 2014 and conducted further study since that time. The Commission is now considering two Plan changes, which would include increasing contribution rates, and changing the commuted value option for those members eligible to retire.

The proposed change of increasing contribution rates would be scheduled to come into effect on July 1, 2018. The change to remove the commuted value option would be effective January 1, 2019. These changes require formal legislative approval prior to implementation and the Commission will hold upcoming information sessions specific to these changes. Here are the details:

Increase in contribution rates

Contribution rates for general members will increase by 0.85 per cent to nine per cent, while designated members (firefighters and police) will see their contribution rate increase by 1.15 per cent to 12.5 per cent. These increases would also apply to employer contribution rates, which match employee rates.

Changing the commuted value option

Members who reach their earliest reduced retirement date, will no longer have the option of taking a commuted value. All terminating members who qualify for retirement will draw their pensions from MEPP.

There are two reasons for this change: 1) the intent of the Plan is to provide members with a lifetime pension benefit, and 2) withdrawing commuted values, causes a financial strain on the Plan.

The proposed changes are measures to try to keep the Plan in a healthy financial position for many, many years to come. As a contributing member, you expect to get your pension benefit when you retire –

whether in five years or 25 years. Taking action now with a long-term plan lowers the risk of future Plan deficits and means that you're paying fair contributions now to cover the pension you'll receive. If these changes were not acted on, the Plan's financial position would start to decline, affecting its ability to meet its long term obligations – to you – our members.

By making you aware of these proposed changes, you now have a chance to give this some further thought. As for next steps, this is what you can expect from us:

- 1)** You will receive a letter in early January 2017 inviting you to attend one of the many member information sessions around the province.
- 2)** MEPP information sessions will give you the chance to learn more about the proposed changes. MEPP will be holding these sessions in a variety of locations in January, February, and March.
- 3)** The Spring 2017 issue of *MEPP Matters* will highlight the outcomes from the member information sessions.

2015 Solvency results

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. The Solvency Valuation results also determine the holdback rate applied to termination benefits.

The 2015 Solvency Valuation shows a shortfall of \$371.5 million. This means that had the Plan closed on December 31, 2015, there would not have been enough assets to cover the Plan's liabilities.

The Plan's solvency ratio at December 31, 2015, is 85.1 per cent which is down from last year's funded ratio of 86.6 per cent. The holdback rate increased to 14.9 per cent from last year's 13.4 per cent to reflect the 2015 funded ratio. This change came into effect September 30, 2016.

Because the Plan has a solvency deficit, all termination payouts and transfers will have 14.9 per cent holdback. The holdback amount plus interest will be paid to the member within five years of the initial payment date. If you leave your benefit in the Plan there are no holdbacks.

All pensions continue to be paid in full. Contribution rates did not increase in 2015.

Solvency Basis (Millions of Dollars)	
Assets	\$2,122.0
Liabilities & Reserves*	<u>2,493.5</u>
Deficit	<u>(\$371.5)</u>
Funded Ratio (%)	85.1

For details on the holdback and contribution rates, visit our website.

Threshold 2016



May consider:
 • Restoration of previous benefit reductions
 • One year ad-hoc indexing

May consider:
 • Restoration of previous benefit reductions
 • Contribution decrease
 • Indexing for current and past years that were not indexed

May consider:
 • Restoration of previous benefit reductions
 • Temporary benefit improvements
 • Additional indexing for retired members
 • Reduction in contribution rates

Management and solvency funded ratios, including the ratio of the actuarial value of assets to the market value (the actuarial value of assets, divided by the sum of management valuation liabilities plus reserves) is just one factor. Other factors include the impact of management and sustained investment losses since the valuation date, or if interest rates used to determine solvency ratios are higher than the management and solvency funded ratios which may lead to more conservative decisions.

Does indexing apply to MEPP pensions?

As retirement becomes a reality for many MEPP members, more of you are asking whether MEPP pensions are indexed to reflect cost of living increases.

First, the phrase, 'indexed pension' means making an adjustment so that a pension benefit reflects the current cost of living.

Since its start in 1930, MEPP has indexed pension payments at certain times. MEPP last indexed pensions in 2009.

The Commission oversees the administration of the Plan and investment of the pension fund. It is tasked with deciding whether pensions should be indexed.

This is done by referring to MEPP's funding policy. Within the policy, the decision-making levels are used to determine when changes may be made for contributions, indexing, or temporary benefits based upon the funding level status.

The graph on page two shows the various funding levels for the Plan and the specific actions for each level. As you can see, the Plan's funding must be between 115 to 125 per cent before indexing could be considered for the current year. As of December 31, 2015, MEPP was 107.0 per cent funded and therefore, has not reached the level needed to allow indexing. These thresholds may seem strict, but they're put in place to help ensure long-term sustainability of the Plan.

Full-time hours!

Effective January 1, 2017, full-time hours will be a minimum of 30 hours per week in every eligible pay period for all MEPP employers and members as stated in *The Municipal Employees' Pension Plan Act*.

Employees on a 10-month work cycle that earn a minimum of 1,300 hours per year and 12-month employees earning a minimum 1,560 hours per year will be credited a full year of pensionable service. Employees who work less than these minimums will earn pensionable service on a pro-rated basis.

Are you missing out?

We hope not, because one of our goals is to provide you with information to meet your needs. That's why we're inviting you to follow us either on Facebook and/or Twitter.



It's easy to get on board. Here's how:

- ✓ Visit us on Facebook (www.facebook.com/SaskMEPP)
- ✓ Follow us on Twitter (@SaskMEPP)

Member Administrative Fees

MEPP would like to remind you that effective January 1, 2017. Fees are outlined below:

Category	Description
Purchase of service quotes	First quote is free of charge. Additional quotes for the same period of service will be charged \$30 per calculation.
Portability quotes	First quote is free of charge. Additional quotes for the same period of service will be charged \$60 per calculation.
Marriage breakdown calculations	First calculation is free. Additional calculations will be charged \$60 per calculation for the same period of marriage.
Pension calculations	Two retirement estimates per year are free of charge. Additional estimates will be charged \$30 per calculation.



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