

**SHEPP**SASKATCHEWAN HEALTHCARE
EMPLOYEES' PENSION PLAN

BOARD MEETING SUMMARY

September 23 & 24, 2014

Quarterly Performance Review

The Plan's investment consultant provided an update on the Fund's performance for the second quarter 2014.

The Fund experienced an absolute return of 3.1%, underperforming the benchmark by 10 basis points. Year-to-date, however the total Fund performance is 18.6%, outperforming the benchmark by 170 basis points.

	Quarter	One Year	Four Year	Ten Year
Benchmark	3.2%	16.9%	11.5%	6.8%
Total Fund	3.1%	18.6%	12.8%	7.4%
Value Added	-0.1%	1.7%	1.3%	0.6%

Investment Presentations

The Board received presentations from two of SHEPP's investment managers – Phillips, Hager and North Investment Management (PH&N) and JP Morgan Asset Management Inc. (JP Morgan). PH&N manages an active custom duration bond portfolio and JP Morgan manages three mandates including active non-North American and emerging markets equity mandates and a currency overlay mandate for the Plan. At June 30 2014, PH&N had \$899.5 million under the firm's management and JP Morgan had \$642.9 million under management.

Both managers:

- Reviewed their investment results;
- Discussed how conditions in their respective markets affects their investment strategies;
- Outlined their economic and market expectations; and
- Reviewed changes in investment philosophy and processes.

December 31, 2013 Actuarial Valuation

The Board received and approved the December 31, 2013 actuarial valuation report. In the report the Plan actuary confirmed that on a going-concern basis at December 31, 2013 the actuarial value of the Plan's assets totalled \$4.77 billion and the Plan's liabilities totalled \$5.39 billion leaving the Plan with a \$621 million shortfall.

Based on the results of the valuation, the Plan actuary has determined that the combined employer and member contribution rates currently in effect will meet the going-concern funding requirements of the Plan.

The Plan actuary also advised the Board that the Plan's solvency ratio at December 31, 2013 was 73.0%. As a result a five-year 27.0% lump sum benefit holdback, entitled the *Transfer Deficiency Holdback*, becomes effective September 30, 2014. Full details on the holdback can be found on our website at www.shepp.ca.

Other Items

The Board also:

- Received the 2014 second quarter financial report;
- Received the 2014 Enterprise Risk Management Report from Plan management;
- Received an updated Governance and Administration report from Plan management;
- Approved two Board policies: an Employer Withdrawal Policy and Information Request Policy;
- Reviewed and discussed changes to the Board's Funding Policy; and
- Reviewed and discussed an Asset Liability Study.

The next regular meeting of the Board will be held on Tuesday, December 2 and Wednesday December 3, 2014.