

Update on SHEPP's Funded Status

At December 31, 2010, the Plan's assets totalled \$3.51 billion and its liabilities, the cost of all the pensions and benefits earned to December 31, 2010, totalled \$4.251 billion. The result is that the Plan has a \$741 million shortfall.

We have determined that the current level of member and employer contributions is sufficient to meet the funding requirements of the Plan and pay off the \$741 million shortfall by the legislated deadline of December 31, 2025. At this time SHEPP's active members and participating employers will not be asked to contribute more than their present contribution rates.

The following table shows the present member and participating employer contribution rates:

	Pensionable Earnings up to the YMPE	Pensionable Earnings Over the YMPE
Plan Member	7.7%	10.0%
Participating Employer	8.62%	11.2%
YMPE – the Year's Maximum Pensionable Earnings under the Canada Pension Plan. The 2011 YMPE is set at \$48,300.		

The SHEPP Board of Trustees is carefully monitoring the situation. Although the Plan's funded status is not scheduled to be reviewed again until December 31, 2013, the SHEPP Board of Trustees may review the Plan's funded status sooner if the Board believes that circumstances warrant an early review.

Investment of the SHEPP Fund

In 2010 the SHEPP Fund rate of return was 12.2 per cent. This followed a return of 15.1 per cent in 2009.

The Fund performance to December 31, 2010 over the last one, four and 10 years, measured against the benchmark returns, is shown in the following table:

Total Fund Performance			
	2010	Four Year	10 Year
Total Fund	12.2%	1.5%	5.2%
Benchmark Fund	12.0%	1.4%	4.6%

The SHEPP Fund has produced returns above the benchmark in each of the three measurement periods.

Taking Your Pension

As a deferred member of the Plan, your vested pension is payable without penalty commencing the first of the month coincident with or next following your 65th birthday. You may elect to have your deferred pension start before age 65 but no earlier than age 55 in which case a penalty will be applied. If you are interested in starting your pension early contact SHEPP to receive full details.

Provincial Government Pension Funding Rules

The provincial government has allowed and the SHEPP Board of Trustees has elected a three-year suspension from funding the Plan on the theoretical basis of the Plan winding-up on December 31, 2010. Had the provincial government not made this option available, the Board of Trustees would have been required to substantially increase member and participating employer contribution rates to pay off the theoretical Plan wind-up shortfall within five years.

The provincial government will require SHEPP to hold back 19.72 per cent of all lump-sum benefit and non-spousal death benefit payments due on or after September 30, 2011. These holdbacks are in relation to the deficit the Plan would have experienced had it been wound-up on December 31, 2010. Holdbacks will be paid, with interest, five years following the initial termination or death benefit payment date.