SHEPP
SASKATCHEWAN HEALTHCARE EMPLOYEES' PENSION PLAN

PLAN AT-A-GLANCE

Saskatchewan Healthcare Employees' Pension Plan

The Pension Plan

Established in 1962, the Saskatchewan Healthcare Employees' Pension Plan (SHEPP) has grown into the largest defined benefit pension plan in Saskatchewan and the only industry-wide pension plan serving the healthcare sector. SHEPP is a multi-employer defined benefit pension plan with 50 participating employers and over 57,000 members either receiving or entitled to a pension benefit under the Plan today.

The Plan is jointly trusteed, with equal representation from employers and employees, at the Partner Committee level and the Board of Trustees. SHEPP is governed by the Agreement and Declaration of Trust and administered in compliance with the *Plan Text*, the *Pension Benefits Act* (Saskatchewan) and the *Income Tax Act* (Canada).

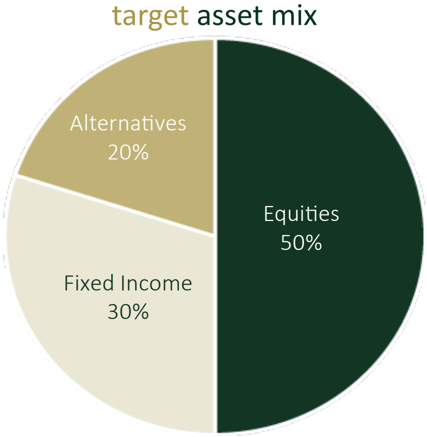
SHEPP has 48 employees located in our Regina office.

The Plan is funded by contributions from Plan members and participating employers, and by the investment earnings of the Plan's assets.

Investments

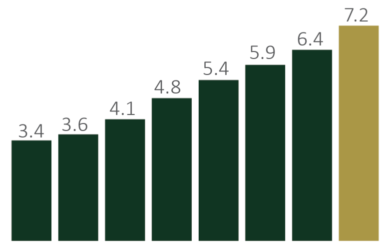
Securing the benefits promised to members is a top priority of SHEPP's Board of Trustees, followed closely by stabilising contribution rates. To accomplish this, the Board employs a prudent investment policy focused on earning sufficient returns without excessive risk and volatility. SHEPP's assets are invested in accordance with the provisions of *The Pension Benefits Act, 1992* (Saskatchewan) and the Board of Trustees' investment objectives and philosophy, which are set out in its Statement of Investment Policies and Procedures.

target asset mix



Funded Status

The last valuation was completed as of December 31, 2017, and showed a decrease in the going-concern deficit and an improvement in the Plan's funded status. Strong investment performance enabled the Plan to decrease the overall going-concern unfunded liability from $594 million in the 2015 valuation to $385 million in the 2017 valuation. The remaining deficit, which is in large part due to: the poor investment performance in 2008 and 2011; prolonged low interest rates; and longer life expectancies, must be funded by 2025.



The valuation results also indicated that no new unfunded liability was incurred since 2010 meaning current temporary contributions can continue to go towards paying this deficit within the specified time period, and the combined member and employer contribution rate required to meet the going-concern funding requirements of the Plan can remain at 18.3% of payroll.

An actuarial valuation must be filed at least every three years.

Contribution Rates

Member contributions to SHEPP are tax deductible and made only on pensionable earnings, which is essentially regular pay and does not include overtime. Contributions are limited based on the maximum pensionable earnings limit in the Plan, which is $168,498 in 2019.

member required contribution rate

8.1% of pensionable earnings up to the YMPE

10.7% of pensionable earnings above the YMPE

employer required contribution rate

9.07% of pensionable earnings up to the YMPE

11.98% of pensionable earnings above the YMPE

The 2019 Year's Maximum Pensionable Earnings (YMPE) is $57,400.

Eligible Employees

Membership in the Plan is mandatory if you work as a permanent full-time or permanent part-time employee of a SHEPP participating employer. Casual and temporary employees become eligible to join SHEPP:

- by working at least 780 hours in the immediately preceding calendar year; or
- by working at least 700 hours in each of the two immediately preceding calendar years.

Once enrolled in the Plan, membership continues until employment has been terminated with all SHEPP participating employers.

Retirement Eligibility

Members become eligible to retire at different milestones, and the pension they are entitled to depends on which milestone they have reached when they choose to retire.

Normal Retirement: At age 65 members become eligible to retire with a basic lifetime pension.

Early Retirement (Unreduced): When a member's age plus years of credited service total 80 or more, they become eligible to retire (earlier than age 65) with an unreduced basic lifetime pension, plus a bridge benefit paid to them from retirement to age 65.

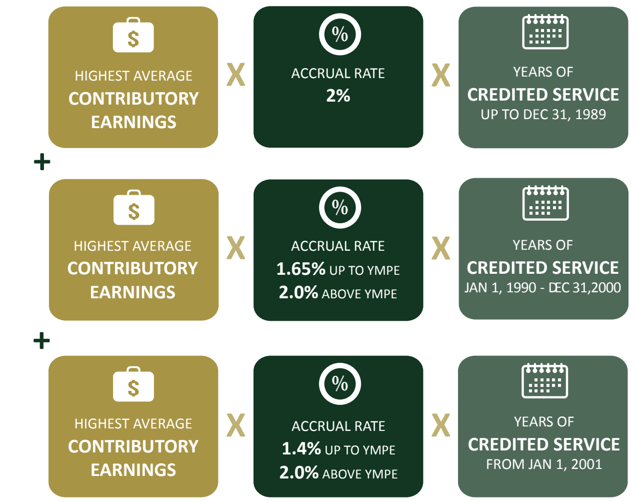
Early Retirement (Reduced): At age 55, with at least 10 years of service, members become eligible to retire (earlier than age 65) with a reduced basic lifetime pension, where the reduction is equal to 3% multiplied by the number of years they are short of qualifying for retirement.

Postponed Retirement: On December 1 of the year a member turns 71 they must begin collecting a basic lifetime pension, even if they continue to work past that date.

Pension Benefit

In a defined benefit pension plan like SHEPP, members receive a monthly pension for the rest of their life following retirement. Their pension amount is determined by a formula that takes into consideration their 4-year highest average contributory earnings and years of credited service. This means as their eligible earnings and service grow, so does their pension.

SHEPP's basic lifetime pension is calculated using this formula:



SHEPP Basic Lifetime Pension*

*Gross annual amount, based on Single Life form of pension where payments are guaranteed for five years and the member's life thereafter.

Portability and Service Purchases

SHEPP offers portability transfer and service purchase options to active Plan members. This provides members the opportunity to voluntarily transfer eligible service credits from a former employers pension plan, or purchase eligible prior or current service in SHEPP, for the purpose of increasing their pension benefit and qualifying for early retirement with an unreduced pension sooner.

Disability

Members who are eligible for SHEPP-approved disability status will continue to earn credited service and build their pension throughout the approved disability period, even though no member or employer contributions are payable to the Plan.

Leaving the Plan

Upon termination of employment from all SHEPP participating employers, members who are not yet eligible for an unreduced pension will receive a termination benefit. The benefit payable will depend upon their years of service and may include the option to defer their basic lifetime pension or transfer their benefit out of the Plan.

Upon a member's death, a death benefit may be payable to the surviving spouse, and if no spouse, the beneficiaries or estate.