SHEPP

SASKATCHEWAN HEALTHCARE
EMPLOYEES' PENSION PLAN

Active Member Newsletter

December 2014

SHEPP's Funded Status Has Improved

Plan's 2013 valuation shows a 16.19% decrease in the going concern unfunded liability

The SHEPP Board of Trustees has approved and filed with the provincial regulator the December 31, 2013 actuarial valuation of the Plan. The purpose of an actuarial valuation is to measure the financial health of the Plan and to set contribution rates to meet the funding requirements. Provincial regulations require that a valuation be performed at least once every three years.

The results of the 2013 valuation show a decrease in the going-concern deficit and an improvement in the Plan's funded status. Strong investment performance over the past two years has enabled the Plan to decrease the overall going-concern unfunded liability by $120 million, or 16.19%, decreasing from $741 million in the 2010 valuation to $621 million in the 2013 valuation. The remaining deficit, which is in large part due to: the poor investment performance in 2008 and 2011; lower than average interest rates over the past several years; 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

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are you
retiring in 2015?

Contact SHEPP 3 to 6 months before your retirement date

If you are planning to retire in 2015, contact SHEPP at least three to six months before your planned retirement date to request your retirement package. This will ensure SHEPP has sufficient time to prepare and mail your forms, and you have time to complete and return them.

For more information check out our *Retirement Guide* at **www.shepp.ca**.

Plan Text Restated to Ensure Consistency and Compliance

The terms upon which SHEPP pays pension benefits are set out in a formal legal document called the "Plan Text". This document is regularly amended, and from time to time it is formally "restated" to incorporate all of the amendments made to date, to eliminate obsolete provisions and to clarify its wording. For the past few years SHEPP's management and professional advisors have subjected the Plan Text to an intensive review to ensure compliance with applicable legislation, consistency with current administrative practices and policies, and to capture institutional knowledge.

As a result of this process, SHEPP's Board of Trustees recently approved a restated Plan Text which comes into effect as of January 1, 2015. This document is almost 40% shorter than the current plan text, and includes a number of revisions to provide clarity and reduce duplication which SHEPP hopes will make this document easier to read and use. The following are the more notable changes contained in the restated Plan Text which may impact certain members:

- If a temporary or casual employee qualifies for enrolment while on a leave of absence, they will now have the option to enroll in the Plan on the first day of any month following their return to work.
- Upon termination:
  - if a member has made a current service purchase while on a leave of absence, SHEPP will now include that service in the calculation of the commuted value rather than refunding those contributions (with interest) for the current service purchase.
  - If a member's benefit vests but is not locked-in (less than two years of continuous service but more than two years of credited service) they will now be entitled to a deferred pension payable at age 65 or a commuted value of their deferred pension payable at age 65. Previously, a member was entitled to a deferred pension payable at age 65 or a refund of contributions with interest.

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SHEPP's Funded Status has Improved (*continued*)

Current contribution rates are sufficient to pay back deficit

to go towards paying this deficit within the specified time period. Accordingly, the Plan actuary has determined that 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. This means there will be no increase to the required member and employer contribution rates at this time.

The combined member and employer required contribution rate is measured as a percentage of total payroll (18.3%) and made up of two parts. The following table provides a breakdown of the combined contribution rate:

Going-Concern Basis Funding	
1) CURRENT SERVICE COST The rate required to fund the new pensions being earned by members from this point forward. This is called the current service cost of the Plan and you can think of it as the normal or ongoing contribution rate of the Plan.	**14.09%**
2) TEMPORARY COST TO PAY-OFF THE GOING-CONCERN DEFICIT FROM THE DEC. 31, 2010 ACTUARIAL VALUATION (must be eliminated by Dec. 31, 2025) The rate required to fund any unfunded liability or deficit for pensions already earned by members. This is the past service cost that requires special temporary contributions to eliminate any unfunded liability within a specified period (15 years prior to June 2013; 10 years for deficits after June 2013).	**4.21%**
Combined Employer and Member Going-Concern Contribution Rate	**18.30%**

All else being equal, as the unfunded liability is eliminated the Plan's contribution rate will revert to the current service cost.

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Contributions

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

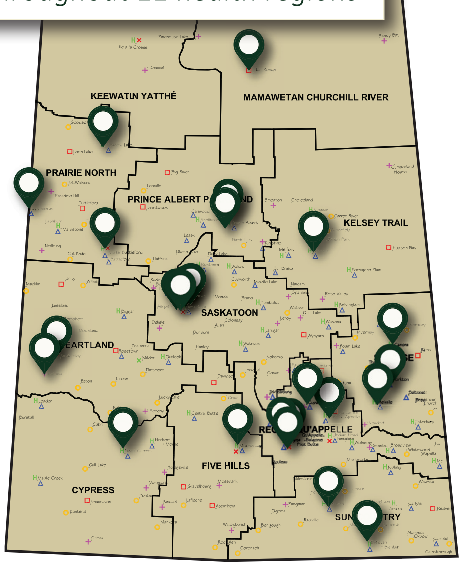
9.07% of pensionable earnings up to the YMPE

11.98% of pensionable earnings above the YMPE

The Year's Maximum Pensionable Earnings (YMPE) is $52,500 in 2014 and $53,600 in 2015.

Where was SHEPP in 2014?

44 member presentations in 26 locations throughout 11 health regions



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Plan Text Restated (*continued*)

- Retroactive monthly pension payments will not be issued. If a late retirement application is made to commence a monthly pension benefit, the benefit will commence on a go forward basis only.
- When a pre-retirement death benefit is payable to a spouse, they may now choose to receive either a lump sum payment of the commuted value or a monthly lifetime pension, the actuarial value of which is equal to the commuted value. Previously their only option was to elect a lump sum payment of the commuted value.
- If a spousal relationship breakdown occurs post-retirement, the joint and survivor form of pension can be converted to a single life form of pension on a go forward basis, even if no division of the pension occurs. Previously the pension could only be converted if a division of the pension occurred.

The restated Plan Text takes effect January 1, 2015. Benefit entitlements for members who terminate Plan membership or die before that date will continue to be governed by the terms of the current Plan Text.