SHEPP
SASKATCHEWAN HEALTHCARE EMPLOYEES' PENSION PLAN

Retiree*INFO*

This information is published by the Saskatchewan Healthcare Employees' Pension Plan for its retired members and their survivors.

January 2011

SHEPP's Funded Position

An actuarial valuation of the Plan was performed on December 31, 2009 to determine the financial health of the Plan. On a going concern basis the Plan's funded ratio has decreased from 92.2 per cent at December 31, 2007 to 83.8 per cent at December 31, 2009. In dollar terms the Plan's unfunded liability has increased from $255,034,000 to $623,002,000 during the same period.

While the actuarial value of the Plan's assets grew from $3.01 billion at December 31, 2007 to $3.23 billion at December 31, 2009, the Plan's liabilities increased from $3.27 billion to $3.85 billion during the same period.

These results show that the Plan's assets have not yet fully recovered from the ground lost during the significant downturn in the financial markets in 2008 and early 2009.

	December 31, 2007	December 31, 2009
Actuarial Value of Assets	$3,010,880,000	$3,226,080,000
Actuarial Liabilities	$3,265,914,000	$3,849,082,000
Going Concern Unfunded Liability	$255,034,000	$623,002,000
Going Concern Funded Ratio	92.2%	83.8%

Based on the results of the December 31, 2009 valuation, the Plan Actuary has recommended to the Board of Trustees that contribution rates be increased for all active Plan members effective April 2011.

Under the terms of the SHEPP Trust Agreement if and when the Plan actuary determines that contribution rates must change to fund the current benefit provision of the Plan, the Board of Trustees is required to implement the contribution rate change recommended by the actuary.

Contributions to the Plan

Active members of the Plan are contributing to the Plan at much higher rates than those paid by previous generations of Plan members for the same level of benefit. This is due to a number of factors including longer member life expectancies; lower interest rates; and the impact of the significant decline in global financial markets in 2008 and early 2009 upon SHEPP's funded position.

Table 1 below compares the member contribution rates that were in effect in 2000 against the contribution rates coming into effect in April 2011.

Year	2000	2011
Active member contribution rate on pensionable earnings up to the YMPE	4.0%	7.7%
Active member contribution rate on pensionable earnings above the YMPE	5.5%	10.0%
YMPE is the Year's Maximum Pensionable Earnings under the Canada Pension Plan. The 2011 YMPE is $48,300		

Table 2 below illustrates how much more a member will contribute in a year based upon the 2011 contribution rates versus the 2000 contribution rates.

Year	Member Contribution for a Year at 2000 Rate	Member Contribution for a Year at 2011 Rate
Member earns $40,000 in year	$1,600.00	$3,080.00
Member earns $50,000 in year	$2,025.50	$3,889.10

Cost-of-Living Adjustments (COLA)

At the June 29, 2010 SHEPP General Meeting, retired Plan members expressed concern that cost-of-living adjustments (COLA) are not provided under the Plan. These retired members asked what the Board of Trustees can do and is doing to address this concern.

What the Board Can Do	Why
On its own, amend the Plan to provide ad hoc COLA when there is funding available to cover the cost.	If the Plan has surplus funds the Board may spend those surplus funds on benefit enhancements, equitably distributed amongst all members of the Plan. Those benefit enhancements may include COLA.
Alert the Partner Committees to the pensioners' COLA concern.	We are working on a 15-year plan to eliminate our current funding deficit. There is no certainty that after doing so the Plan will accumulate a surplus sufficient to provide the Board the opportunity to make a benefit enhancement, such as COLA. Only the Partner Committees, by agreeing in writing, can cause contribution rates to increase to fund a benefit enhancement, such as COLA.

What the Board Can't Do	Why
On its own, amend the Plan to provide automatic COLA for pensioners.	This amendment would require active member and employer contribution rates to increase to fund the cost of providing COLA. The SHEPP Trust Agreement prohibits the Board from amending the Plan on its own if it causes member and employer contribution rates to change.
On its own, provide an ad hoc COLA without having funding available to cover the cost.	The Plan's liabilities are currently $623 million more than its assets which places the Plan in the position of having an unfunded liability. All Plan assets and contributions are needed to fund existing benefits and eliminate the unfunded liability within 15 years. Accordingly, right now and for the foreseeable future there are and will be no surplus Plan funds available to the Board to provide an ad hoc COLA or any other benefit enhancement.
Simply divert some of the Plan's assets or contributions to fund a COLA.	This would be a violation of the SHEPP Trust Agreement, the Saskatchewan *Pension Benefits Act*, the *Income Tax Act* (Canada) and a breach of fiduciary duty.

What the Board Is Doing	Why
Alerting the Partner Committees to the pensioners' COLA concern.	It is important for the Partner Committees to know about the concerns of SHEPP pensioners and to take those concerns into account as they consider the provisions of the Plan and the cost to active members and participating employers to fund the Plan.

Contact Information:

Saskatchewan Healthcare Employees' Pension Plan, 4th Floor, 295 Henderson Drive, Regina, SK S4N 6C2
Phone 306-751-8300 Fax 306-751-8301 Toll free 1-866-394-4440 E-mail sheppinfo@shepp.ca Web site www.shepp.ca