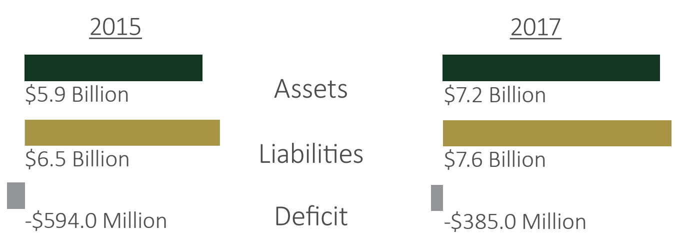
2017 Valuation Results

At least every three years, SHEPP is required to file an actuarial valuation with the provincial regulator to measure the financial health of the Plan and determine contribution rates.

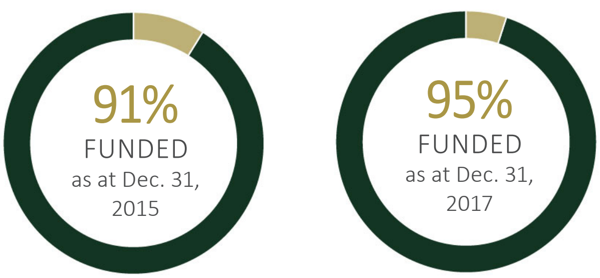
What is an actuarial valuation?

An actuarial valuation is an examination performed by an actuary that determines what the Plan's assets and liabilities are now and what they are expected to be in the future (this is referred to as a going-concern valuation as it assumes the plan will continue operating into the future). The results determine the funding level the Plan needs to pay the pensions it has promised.

GOING-CONCERN DEFICIT HAS DECREASED



GOING-CONCERN FUNDED STATUS HAS IMPROVED



What were the results?

Since 2010, SHEPP has been working to eliminate a funding deficit that was incurred as a result of the 2008 financial crisis. Prolonged low-interest rates and longer life expectancies have made this process very challenging. However, SHEPP continues to make progress on eliminating the deficit. As at December 31, 2017, the Plan's going-concern deficit was reduced by $209 million to $385 million, and the Plan's funded ratio improved to 95%.

What does this mean for contribution rates?

Because the Plan did not incur any new funding deficit, there will not be any changes to the Plan's contribution rates at this time. SHEPP's Board of Trustees continues to monitor the Plan's funded position and is working hard to address the Plan's funding challenges and reduce the funding deficit.

NO CHANGES TO CONTRIBUTION RATES

	Pensionable Earnings Below the YMPE*	Pensionable Earnings Above the YMPE*
Member	8.1%	10.7%
Employer	9.07%	11.98%

*YMPE - Year's Maximum Pensionable Earnings refers to the earnings from employment on which CPP contributions and benefits are calculated. For 2018, the YMPE is $55,900.

The Solvency Ratio and Transfer Deficiency Holdbacks

SHEPP is exempt from funding the Plan on a solvency basis, but must still perform a solvency valuation (determines financial status on the basis the Plan was wound up on the valuation date) to determine the Transfer Deficiency Holdback. The December 31, 2017, valuation reported SHEPP's solvency funding ratio at 72%. The provincial regulator requires SHEPP to withhold 28% (the amount by which the solvency ratio is less than 100%) from certain termination benefits due under the Plan. This means that SHEPP members who terminate Plan membership prior to being eligible for retirement with an unreduced pension, and elect to transfer the lump-sum commuted value of their benefit out of the Plan, may have 28% of their benefit withheld for five years or until the Plan is fully funded on a solvency basis, whichever comes first. After that, SHEPP will transfer that amount with interest.

SHEPP
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