SHEPP

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PLAN UPDATE
2023 Actuarial Valuation Results

What is an actuarial valuation?

An actuarial valuation is an examination performed by an actuary to determine the financial position of the Plan and set contribution rates to meet the funding requirements. SHEPP is funded on a going-concern basis, which assumes the Plan will continue operating into the future. The funded ratio compares the Plan's assets to the Plan's liabilities (pensions payable) on that basis.

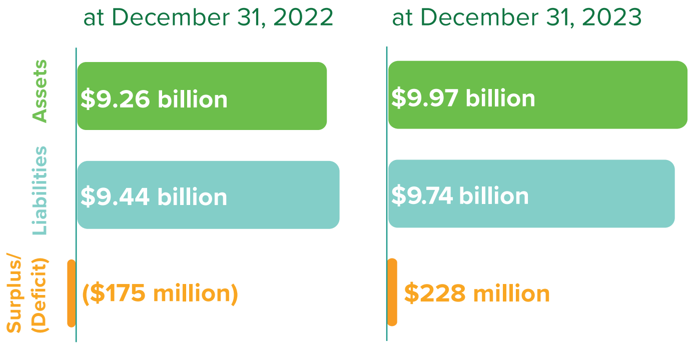
SHEPP is required to file an actuarial valuation with the provincial regulator at least every three years.

What were the results?

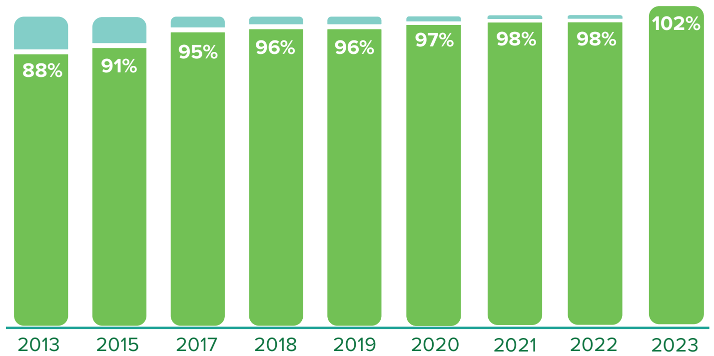
The valuation as at December 31, 2023, determined that the Plan is fully funded at 102% on a going-concern basis, with a surplus of $228 million (compared to a $175 million deficit in 2022).

The 2023 going-concern valuation indicates that the unfunded liability incurred in 2010 has been eliminated

Financial Position (Going-Concern)



Going-Concern Funded Ratio
(as at December 31)



ahead of the legislated deadline of December 31, 2025. This achievement is primarily due to strong investment returns that accelerated funding progress.

Achieving full funding on a going-concern basis means the Plan is in a positive financial position, with sufficient assets to cover all current and future pension obligations.

What does this mean for members and employers?

Contribution Rate Decrease

Contribution rates are determined through actuarial valuations, conducted at least every three years, to establish the Plan's long-term funding requirements.

As a result of SHEPP's 2023 going-concern valuation, contribution rates for active members and employers will be reduced effective January 1, 2025.

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2023 Valuation Results

The cost of funding the Plan will continue to be shared between members and employers, maintaining the 1:1.12 ratio, with employers contributing $1.12 for every $1.00 contributed by members.

The current contribution rates (in place since January 1, 2014) will remain effective through December 31, 2024.

SHEPP CONTRIBUTION RATES

Current Rates (Valid until December 31, 2024)

	Member Rate	Employer Rate
Pensionable earnings below the YMPE*	8.1%	9.07%
Pensionable earnings above the YMPE*	10.7%	11.98%

New Rates (Effective January 1, 2025)

	Member Rate	Employer Rate
Pensionable earnings below the YMPE*	**7.3%**	**8.18%**
Pensionable earnings above the YMPE*	**10.4%**	**11.65%**

*YMPE - Year's Maximum Pensionable Earnings refers to the earnings from employment on which CPP contributions and benefits are calculated. In 2024 the YMPE is $68,500.

Transfer Decificency Holdbacks No Longer Required

Although SHEPP is exempt from funding the Plan on a solvency basis, we are still required to perform a solvency valuation to assess the Plan's financial status in the event of a wind-up. This process determines the transfer deficiency holdback, or the portion withheld from lump-sum transfers until the Plan is fully funded on a solvency basis.

The valuation as at December 31, 2023, confirms a 100% solvency ratio. As a result, SHEPP no longer requires holdbacks on termination benefits, and existing holdbacks will be released. Members who terminate employment and commute their vested entitlement before retirement eligibility will now receive the full value without funding shortfall holdbacks.

SHEPP will arrange for the release of funds from existing holdbacks. The payment will be issued in the same manner as the initial transfer unless the member requests otherwise.

Looking Forward

SHEPP's achievement of full funding is excellent news for members and all stakeholders, as it enhances the security of pension benefits and reflects the Plan's overall health and sustainability. This milestone signifies a shift from overcoming a deficit to maintaining a fully funded, sustainable plan.

The Board has established a Funding Policy to guide decision-making in navigating economic fluctuations and changing demographics while preserving the Plan's long-term financial integrity. The primary objective is to protect member benefits, with a secondary aim of stabilizing contribution rates.

Two separate and distinct margins serve as essential tools for the Board to achieve its funding objectives. The Benefit Security Margin, reflected in the balance sheet, safeguards accrued benefits for Plan members. The Contribution Stabilization Margin, integrated into the contribution rate, mitigates frequent rate fluctuations. Together, these margins act as a safety net, ensuring the Plan's long-term sustainability.

Long-Term Commitment

SHEPP's Board and Administration work closely with the Plan actuary and investment consultant to effectively manage investment risk and optimize the Fund's asset mix. This collaborative approach ensures a sufficient rate of return while minimizing exposure to excessive volatility.

Our priority is to manage the Plan with a long-term perspective, ensuring it remains strong and continues to provide members with secure lifetime pensions now and in the future.

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