



SHEPPNews

FALL 2019

PARTICIPATING EMPLOYER NEWSLETTER

SHEPP's Funded Status Improves Again

This fall, SHEPP filed a valuation which saw the Plan's funded position improve for the fourth consecutive time.

Highlights from SHEPP's latest valuation performed as at December 31, 2018, include:

- **No changes to contribution rates** for members and employers. These rates haven't changed since 2014. While total required contributions are 18.3% – both employees and employers contribute to the pension at a rate of 1:1.12. This means employers contribute 112% of what members contribute. Also worth noting is the 2.94% temporary contribution rate being used to pay down SHEPP's unfunded liability, which must be paid by 2025.
- The going-concern **funded ratio improved to 96%** (from 95% in 2017); and

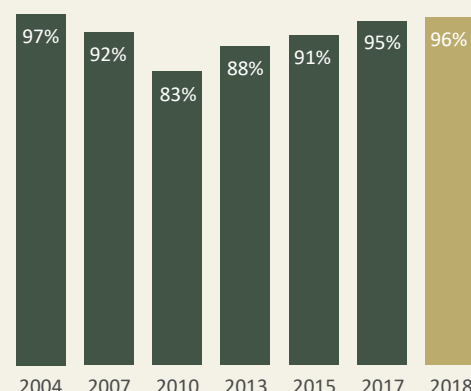
- The going-concern **deficit was reduced** to \$336 million from \$385 million in 2017 – a difference of \$48.8 million – a significant reduction in the span of one year.

A going-concern valuation assumes the Plan will continue operating indefinitely. The funded ratio – in this case, 96% – compares the Plan's assets to the Plan's liabilities (benefits payable). A valuation is one of the many ways SHEPP's Board regularly monitors the Fund.

The Board's Funding Policy is aimed at guiding the Plan through economic cycles and shifting demographics, while maintaining the financial integrity of the Plan over the long term. As outlined in this Policy, the Board's top two priorities are to secure members' benefits and to stabilise contribution rates.

For a more detailed overview of SHEPP's valuation, access SHEPP's *2018 Valuation Results* at www.shepp.ca.

GOING-CONCERN FUNDED STATUS (as at December 31)



SHEPP CONTRIBUTION RATE (as a percentage of payroll)



ITEM	RATE
Current Service Cost	15.36%
Temporary contribution to amortise unfunded liability	2.94%
TOTAL COMBINED CONTRIBUTION RATE	18.3%

A Closer Look at SHEPP's Governance Structure

Did you know that, as a participating SHEPP employer, you have representation on each of SHEPP's governing bodies? It's true. Yet, not everyone is clear on SHEPP's governance structure nor the roles and responsibilities of each body. So, the aim here is to provide an overview of SHEPP's governance structure.

First, SHEPP is a jointly-sponsored pension plan. This came about after several years of negotiations, when a Trust Agreement was signed on December 31, 2002, establishing SHEPP's current structure whereby Plan obligations are shared between employers and employees. As well, the Agreement also outlines the

CONTRIBUTION RATES

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

*YMPE - Year's Maximum Pensionable Earnings refers to the earnings from employment on which CPP contributions and benefits are calculated. For 2019, the YMPE is \$57,400.

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governance structure which consists of two appointed bodies, equally represented by employees and employers.

Settlers

The Settlers includes the Settlor Unions (CUPE, HSAS, SEIU-West, SGEU, SUN, and RWDSU) and the Settlor Employer, which is Health Shared Services Saskatchewan (3sHealth), formerly, SAHO. The Settlers are responsible for the Plan's existence and for appointing representatives to the Partner Committees and Board of Trustees.

Partner Committees

There are two Partner Committees: an Employer Partner Committee, appointed by 3sHealth, and a Union Partner Committee, appointed by the six healthcare unions. They're responsible for the overall design of the Plan and must agree to any fundamental changes – like the pension benefit formula and retirement eligibility.



Board of Trustees

The Plan is administered by a Board of Trustees (the Board) made up of an equal number of employee and employer

representatives. Four employer Trustees are appointed by 3sHealth and one employee Trustee is appointed by each of the four largest healthcare unions.

As the Plan's administrator, the Board has fiduciary responsibilities, which means they must act in good faith and in the best interests of SHEPP members and their beneficiaries when carrying out their responsibilities.

Overall, the Board is responsible for administering the Plan, which involves implementing contribution rate changes, if required, to meet funding requirements and investing the assets held in trust on behalf of members. To achieve this, the Board sets the strategic direction of the Plan, establishes policies for investing the Fund and administering pension benefits in accordance with the Plan Text, the Trust Agreement and all governing legislation.

SHEPP Administration

SHEPP's Chief Executive Officer and employees are responsible for the day-to-day administration of the Plan and the Fund's diversified investment portfolio. This includes collecting contributions, calculating and paying benefits, and serving our members and participating employers, like you.

Lifetime Pensions Have a Positive Impact on Local Communities

Undoubtedly, your organisation already recognises the value of providing your employees with a defined benefit (DB) pension plan. In case you missed it, SHEPP's spring newsletter highlighted the benefits of offering a DB plan, including how it helps with recruitment and retention, puts less financial stress on employees, and helps increase productivity.

However, have you considered how your participation benefits, not only your employees, but the entire community? Your employees (and our members) account for a significant proportion of the women and men working in Saskatchewan. In fact, one in every 15 people employed in the province is a member of SHEPP. Throughout their career, your contributions (and theirs), along with the Plan's investment income are building secure lifetime retirement

income for these individuals, which will have a positive economic ripple effect in their local communities.

You may be surprised to learn that SHEPP paid out over \$293 million in pension payments in 2018. The year before, it was over \$268 million. Considering over 90% of SHEPP pensioners live in Saskatchewan, the impact on communities throughout the province is significant.

In 2019, the Canadian Public Pension Leadership Council released a paper focusing on the social and economic implications of pensions, including:

- pensioners with stable, predictable income spend their monthly pension dollars in their communities, supporting local businesses and economies;
- DB pensioners rely less on government benefits which

translates into savings for Canadian taxpayers; and

- guaranteed retirement income from DB plans helps stabilise consumption during economic downturns.

As you can see, your participation as a SHEPP employer has a real and lasting impact. Your contributions are making a significant difference in the lives of your employees and, when they retire, in the communities where they live.

