



## MAINTAINING A HEALTHY PLAN

Members of the Municipal Employees' Pension Plan (MEPP) can be proud they are part of a robust, well-managed Plan.

The origins of MEPP go back to the 1930s; the Plan has been in its current form since 1973. MEPP has more than \$1 billion in total assets with almost 16,000 members and 4,000 pensioners. In those 34 plus years, the Plan has never had a deficit; few similar Canadian pension plans can make such a claim.

### NOW IS THE TIME FOR MEMBERS TO HELP MAKE A CHOICE TO KEEP THE PLAN FINANCIALLY STRONG FOR THE FORESEEABLE FUTURE.

In spring 2008, the Public Employees Benefits Agency (PEBA), on behalf of the Municipal Employees' Pension Commission, met with the organizations that appoint members to the Commission. The Commission is responsible for administering MEPP. The focus of the discussions was on options to keep the Plan fully funded. This is an issue that has been facing many plans. The options discussed are presented here for the information of MEPP members and employers.

## YOUR PLAN TODAY

In a defined benefit pension, it is the contributions of members and employers as well as the investment earnings from those contributions, that pay for pensions. For MEPP, the Plan is jointly funded by employees and employers. Employees pay 5.4% of their salary with employers matching. For police and firefighters, 7.3% from employees is matched by employers.

Over the years MEPP has enjoyed positive investment returns. Plan surpluses have subsidized contribution rates for members and employers. Without the surplus, members and employers would have been paying higher contribution rates of about two percentage points. The surplus has also been used to improve benefits for members and pensioners.

Without that surplus, general members would have been paying 7% to 8% matched by employers, rather than 5.4% matched by employers. Police and firefighters and their employers would have paid similarly higher contribution rates.

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## CONTRIBUTION INCREASES, FUTURE BENEFIT DECREASES OR A COMBINATION?

The Plan cannot depend on surpluses to maintain the current contribution rate. Future surplus depends on a favorable investment climate that cannot be assured. With a disappearing surplus comes the threat of unfunded liability.

**CONTRIBUTION RATES NEED TO BE INCREASED, FUTURE BENEFITS DECREASED OR A COMBINATION OF INCREASING CONTRIBUTIONS AND REDUCING FUTURE BENEFITS.  
THE CHOICE MUST BE MADE NOW FOR THE FUTURE.**

A 2007 actuarial valuation of the Plan indicates that to maintain the Plan's current benefit levels, contribution rates for members be increased to 7.05% for general members and 9.55% for designated police and firefighters with employers matching those contributions.

Without a contribution increase, the Commission would have to recommend decreasing future benefits. A reduction in benefits would only apply to benefits earned by existing employees in the future and to all benefits earned by new employees to the Plan. The Commission would need to further consult before recommending to Government which benefit rates to reduce. A guiding principle in developing recommendations is that benefit reductions affect all members equitably.

## YOUR FEEDBACK

Early in 2009, the Municipal Employees' Pension Commission will recommend either an increase in contribution rates, or a reduction of benefits, or some combination. This will be done to maintain the stability and health of MEPP. The benefits and contributions are set by a statute under the *MEPP Act*. The Commission's recommendation will be to the government. Your feedback is an important part of that recommendation.

Please complete and return the enclosed card to PEBA by December 1, 2008.

Visit our website at [www.peba.gov.sk.ca](http://www.peba.gov.sk.ca) for more information on your Plan.

