



SPECIAL FORCES PENSION PLAN

MEMBER NEWS

Fall 2017

CONTRIBUTION RATES UNCHANGED

SFPP contribution rates have remained unchanged since 2010 and are projected to remain the same throughout 2018 and 2019.

YOU PAY

13.45%

YOUR EMPLOYER PAYS

14.55%

The contributions are calculated as a percentage of your pensionable salary*. Yours are deducted from your paycheque.

Contributions work with investment returns to pre-fund member benefits. Because those benefits will be delivered to SFPP members years into the future, there is a significant amount of calculation and foresight required now to determine whether current contribution rates and investment decisions can support the future needs. Achieving that benefit security means the Special Forces Pension Board must have an understanding of the health of the Plan, be able to look 40+ years into the future to identify potential risks, and develop a structure to guide decision-making in many different economic scenarios.



There are two tools the Board uses to fulfill those requirements and evaluate the financial health of the Plan:

- **Actuarial Valuation:** An analysis of the Plan's funding. It calculates a target level of current required funding and compares it to the SFPP's assets to produce a funded status. Contribution rates are based on this analysis.
- **Funding Policy:** The Board's fundamental decision-making tool related to funding. The primary goals of this policy are to protect benefits and minimize contribution rate volatility. It uses a blend of strategies to do so, such as conditional inflation protection and building in conservatism to the actuarial valuation ("margin").

***Pensionable Salary:** Basic pay for the performance of your regular duties. Salary does not include earnings such as expense allowances or overtime payments. There is a cap in place on the salary upon which a defined benefit can be based. It is set under the federal Income Tax Act. The 2017 salary cap for SFPP is \$162,312.

Contribution Rates Unchanged (Continued)

The December 2016 Actuarial Valuation Report has been filed with Canada Revenue Agency. The following table provides a summary of the results compared to those of the 2013 valuation.

Strong investment returns, averaging 9.3% over 3 years, contributed to the improved position. This is despite a change to more conservative assumptions in terms of expected future returns, and building in a higher reserve (margin) for any adverse Plan experience.

SFPP uses asset smoothing to distribute investment fluctuations over a period of years - the gains and losses are "smoothed" over that period. Smoothing helps to minimize the impact of market volatility on the Plan, which would otherwise result in contribution rates rising and falling with the fluctuations.

ACTUARIAL VALUATION RESULTS SUMMARY (\$MILLIONS)		
	DECEMBER 31, 2016	DECEMBER 31, 2013
Market Value of Assets	\$2,690.9	\$2,026.1
Smoothed Assets	\$2,655.2	\$1,902.4
Actuarial Liability (Funding Target)	\$3,000.0	\$2,388.3
Surplus (deficit)	(\$344.8)	(\$485.9)
Funded Status	89%	80%

The Plan's funded status has improved to 89% funded compared to 80% in 2013, but is not yet fully funded.

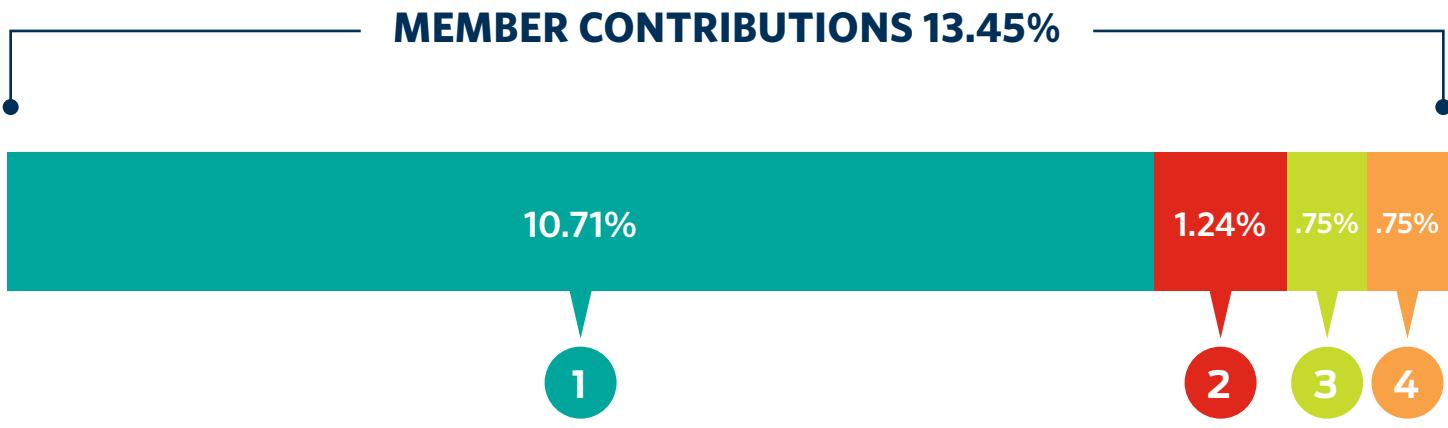
The Plan's actuarial liability, or funding target, is a measure of the funds the Plan needs today to pay pensions in the future, based on economic and demographic assumptions. This actuarial liability may be different from the obligation shown in the Plan's annual report, which does not include a margin for conservatism.

After applying its *Funding Policy* to the results of the *Actuarial Valuation*, the Board has decided contribution rates can remain at their current levels and the target level of cost-of-living adjustments (COLA) can be granted for 2018.

The full valuation report is available at www.sfpp.ca

WHERE DO MY CONTRIBUTIONS GO?

Members pay 13.45%, and employers match employee contributions, plus pay an extra 1.1%.
Your contribution rate is comprised of four parts:



1 10.71%

Current Service

The contribution rate needed to fund the pension benefits accruing to SFPP members for the current year. Employers match the employee current service contribution rate, plus 1.1%.

2 1.24%

Post-1991 Unfunded Liabilities

Active plan members and employers share equally in funding for benefits related to pensionable service after 1991.

3 0.75%

Pre-1992 Unfunded Liabilities

Active plan members, employers, and the Government of Alberta share in funding for benefits related to pensionable service prior to 1992.

4

0.75%

COLA: Conditional Cost-of-Living Adjustments

Contributions go into the Indexing Fund to pay for future increases to SFPP pensions to counteract the effect of inflation.

For service prior to 2001, annual COLA is guaranteed at 60% of the increase in the Alberta Consumer Price Index (ACPI).

For service from 2001 and later, COLA is granted on an ad-hoc basis, dependent on Plan funding. The Special Forces Pension Board is responsible for establishing ad-hoc COLA rates. It has set an annual target rate of 30% of ACPI, which has been met every year since the target rate was established.

For details on what your contribution rate amounts to in dollars, log in to mypensionplan.ca

PENSIONER NEWS

Dear SFPP Pensioner,

We are sending this newsletter to you to share important details related to your SFPP pension. Here are two announcements we want you to know about:

1 COST-OF-LIVING ADJUSTMENTS

On your January 30, 2018 paycheque, you may notice that your payment is slightly higher than in 2017 (and the taxes taken off are a little bit more too). This reflects an annual cost-of-living adjustment (COLA). The Special Forces Pension Board recently determined, after consulting with the Plan's actuary, that COLA can be granted for 2018 at the target level. This means that pensions that were earned after 2000 will be increased effective January 1, 2018 by 30% of the annual increase in the Alberta Consumer Price Index (ACPI). SFPP pensioners with pre-2001 service continue to receive COLA at 60% of ACPI on pensions that were earned prior to 2001.

2 REQUIRING YOUR RESPONSE

You may soon receive a 'pension payment confirmation' letter from SFPP. These letters are sent by the SFPP's administrator and are intended to ensure SFPP benefits are being sent to the appropriate person. Your response helps keeps your file up to date and ensures continuity of your pension payments. Please fill out the required information and return as soon as possible.

INQUIRIES ABOUT SFPP BENEFITS RELATED TO YOUR SITUATION:

Member Services Centre

Toll Free: 1-877-809-SFPP (7377)
Outside North America 1-800-661-8198

You can also review your information and make changes to your account through the MyPensionPlan link on www.sfpp.ca

INQUIRIES OR FEEDBACK ABOUT PLAN POLICIES AND GOVERNANCE:

Special Forces Pension Board

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Phone: 780-391-3692
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The information contained in this newsletter is solely for informational purposes - it is not advice nor is it legally binding. If you have questions about your own situation, you should use one of the contact methods described above.

SFPP EMPLOYERS



The City of Calgary



The City of Camrose



The City of Edmonton



The City of Lacombe



The City of Lethbridge



The City of Medicine Hat



The Town of Taber