

MERCER



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Liz Doughty
Plan Board Manager
Special Forces Pension Plan
5103 Windermere Blvd. SW
Edmonton, AB T6W 0S9

09 June 2010

Subject: Actuarial Valuation Reports at December 31, 2008

Dear Liz:

Please find enclosed 15 copies of the Special Forces Pension Plan Report on the Actuarial Valuation for Funding Purposes as at December 31, 2008.

Please have Monica Norminton (or appropriate APS representative) sign the data certification page on all 15 copies. Once the data certification is signed, please return one copy for our records.

We understand that APS will be filing the valuation report with the Canada Revenue Agency. Attached is a sample letter that outlines the information for the waiver request in respect of member contributions exceeding 9% of remuneration. It is important that all of the enclosed information is included in the waiver request and that the waiver request is not separated or submitted separately from the valuation report.

Regards,

Brenda Pysko
Partner

Enclosures

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SAMPLE LETTER

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VIA REGISTERED MAIL

Canada Revenue Agency
Registered Plans Directorate
Ottawa, ON K1A 0L5

9 June 2010

Subject: The Special Forces Pension Plan (the "SFPP")
CRA Registration Number: 0584375
Request for Minister's Waiver Pursuant to ITR 8503(5)

Dear Sir/Madam:

Mercer (Canada) Limited is the actuary for the Special Forces Pension Plan. We have completed an actuarial valuation of Special Forces Pension Plan at December 31, 2008. A copy of the actuarial valuation report is attached for your review and approval, along with a plan amendment for the required increase in contribution rates.

As specified in section 4 and section 5 of our actuarial valuation report, in some instances member contributions may exceed 9% of remuneration because of the joint cost sharing nature of the plan. Therefore, we are seeking the Minister's waiver in accordance with Regulation 8503(5) of the Income Tax Regulations (ITR).

Waiver Request

Under the plan provisions, member contributions are set at 1.1% of pay less than participating employer contributions for service accruals. Contributions to eliminate any unfunded liabilities are shared equally between the members and employers.

With the exception of contributions made by members to establish past service, all member contributions are treated as current service contributions for the purpose of compliance with the Income Tax Act and related Regulations.

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In accordance with the plan document and the attached valuation report, the proposed contributions effective July 1, 2010 are as follows:

	Government of Alberta	Member	Employer	Total
Current service contributions				
Basic Benefit	0.00%	8.59%	9.69%	18.28%
COLA at 30% of CPI	0.00%	0.75%	0.75%	1.50%
Pre-1992 unfunded liability additional contributions	1.25%	0.75%	0.75%	2.75%
Post-1991 unfunded liability special payments	0.00%	3.36%	3.36%	6.72%
Total contributions	1.25%	13.45%	14.55%	29.25%

Regulation 8503(5) requires a demonstration that, on a long-term basis, the aggregate of the regular current service contributions made by members will not exceed 50% of the amount that is required to fund the aggregate benefits in respect of which those contributions are made. Pursuant to the proposed schedule, total required contributions are equivalent to 29.25% of covered pay. Of these amounts, members contribute less than 50% of the total.

Current practice is to set contribution rates using an actuarial basis that includes a discount rate reflecting the long-term expected return on the plan's assets. A significant portion of the SFPP's assets are allocated to equity investments that are at risk of market fluctuations, but for which higher long-term returns are expected. From time to time this risk translates into higher contributions. In jointly funded pension plans, members share this risk.

To accurately assess the true cost of plan benefits for compliance with Regulation 8503(5), the valuation should be performed on a minimum-risk or liability matched actuarial basis. If total required contributions were determined on this basis they would be equivalent to 71.36% of covered pay (44.90% of which is for service accruals). Of these amounts, and based on the proposed schedule, members contribute well less than 50% of the total.

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On behalf of the SFPP Board of Trustees we respectfully request a Minister's waiver in accordance with Regulation 8503(5). This waiver is required in respect of the period ending December 31, 2012, and will then expire.

Should you require additional information in this regard or have any questions, please do not hesitate to contact us.

Sincerely,

Duane Block

Enclosure

Copy:
Ms. Liz Doughty, SFPP Plan Board Manager
Brenda Pryske, Mercer