PENSION

STRP UPDATE

SASKATCHEWAN TEACHERS' RETIREMENT PLAN WELCOMES AMENDED REGULATIONS

This spring, after extensive lobbying efforts by the Saskatchewan Teachers' Federation, the provincial government passed amendments to *The Pension Benefits Regulations, 1993* that updated the regulatory framework under which the STRP operates. These are welcome changes that provide more flexibility in managing the long-term sustainability of the Plan.

The amended regulations do two key things:

1. **Remove the requirement for the Plan to have a solvency ratio of 90% before providing benefit improvements.**

The Plan is funded on a going-concern basis (long-term view). However, a rule requiring the Plan to have a 90% solvency ratio before offering benefit improvements was still in place prior to the changes.

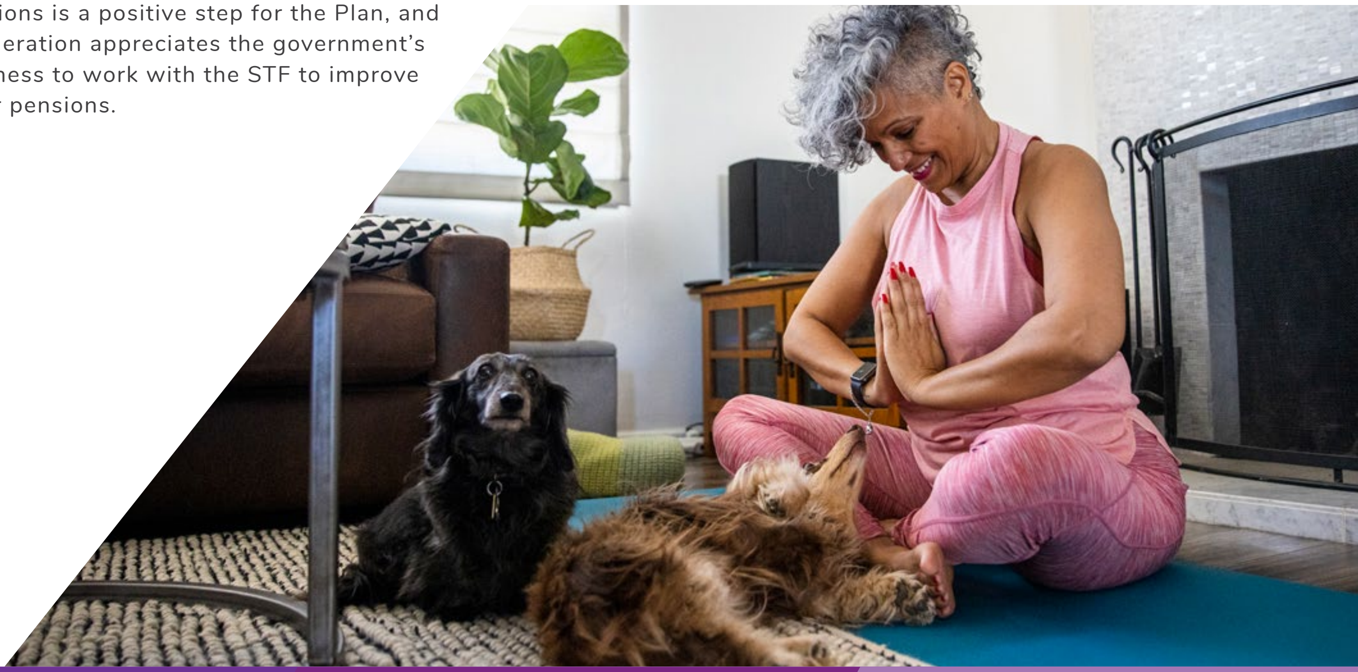
With the removal of this rule, the Federation is now more easily able to provide members with benefit improvements whenever the finances of the Plan allow. The Pension and Benefits Board of Directors is currently undertaking an analysis to determine when this may be possible under the amended regulations.

For years, the STRP has found itself operating in a patchwork of regulations that never quite suited its design. The passing of these amended regulations is a positive step for the Plan, and the Federation appreciates the government's willingness to work with the STF to improve teacher pensions.

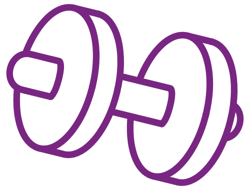
2. **Allow the Federation to have more time to pay back any future funding deficits as the amortization period was extended from 10 to 15 years.**

Under pension law, pension plans like the STRP are required to file valuations at least every three years with the provincial regulator. If the Plan's liabilities outweigh the assets, the Plan is in deficit and must fund the deficit within a set time period called the amortization period.

An increase in the amortization period from 10 to 15 years gives the Plan more time to pay off future deficits. With a longer period to fund a deficit, the Plan is under less pressure to alter benefits or contribution levels to fund the deficit.



STRP SEES STRONG ONE-YEAR RETURNS FOLLOWING COVID-19 RECOVERY



The Plan finished the 12-month period ending March 31 with a four-year annualized return of 8.25%, thanks in large part to strong performance across multiple asset classes. These returns put the Plan near the top 25% of pension plans in its peer group according to the latest report on the Plan's investment fund.

PLAN'S FUNDED STATUS IMPROVES AGAIN IN LATEST VALUATION

Earlier this year the STF filed a funding valuation as at July 1, 2020. A funding valuation provides a point-in-time snapshot of the long-term health of the STRP. As required by law, a valuation must be filed with federal and provincial pension authorities at least every three years.

We're pleased to report that the Plan is in good financial health and the funded status has improved since the last valuation as at July 1, 2019. The Plan is 99.6% funded as of July 1, 2020, compared to 98.7% the previous year.

This improvement in funding status was due, in part, to the strong investment gains the pension fund experienced over the 2019-20 fiscal year. The market value of net assets has grown to $6.3 billion, up $0.4 billion since 2019. This significant growth in assets is expected to continue.

The Federation continues to closely monitor the financial health of the Plan in order to maintain its long-term sustainability.

TWO KEY GOALS HIGHLIGHTED IN UPDATED BENEFIT AND FUNDING POLICY

The STF Executive recently amended the STRP's Benefits and Funding Policy. This policy provides a framework for the Pension and Benefits Board of Directors to manage the finances of the Plan and guides decisions to help maintain a satisfactory funded status.

The major change to the policy was the adoption of a set of priorities or levers that can be used to manage the interplay between the design and funding of the Plan. The policy also details the steps that should be taken when assessing the results of a valuation – whether the Plan is in a surplus or deficit. When it comes down to it, the two main objectives are:

1. Keeping member contribution rates stable and within a reasonable range around 10% of pay, and
2. Providing a sustainable retirement benefit, including meaningful ongoing cost-of-living allowances.

The changes took effect on July 1, 2021.

CHECK OUT THE STRP E-GUIDE!

We are excited to share with you the all-new STRP e-Guide – an interactive and easy way for you to understand and learn more about your pension plan. If you're looking for answers to the most important questions about your pension, this is the place to find them.

Visit this valuable resource today!

EXCESS CONTRIBUTIONS: WHAT ARE THEY?

A recent change to pension standards has resulted in a higher number of retirees receiving excess contribution payouts at the time of retirement.

Under pension law in Saskatchewan, your total contributions* (plus interest) cannot be more than 50% of the commuted value of your pension at the time you receive your benefit. The commuted value of your pension is the lump-sum value of the pension benefit you've earned at the time you leave the Plan. So, when you retire, terminate Plan membership, or pass away, the Federation will compare the commuted value of your pension to your total contributions (plus interest) throughout your career. If your total contributions are more than half of the commuted value of your pension, you will receive those excess contributions as a lump-sum payment.

In December, the Canadian standards for calculating commuted values were changed, and resulted in an overall reduction to commuted value amounts. In turn, this led to a drop in the threshold for what constitutes excess contributions, leading to an increased number of payouts to retiring members.

It's important to note that not every member will have excess contributions on the date they leave the Plan. The calculation is determined based on several factors such as age, service, period over which service was earned, interest rates earned on contributions, and assumptions. Given the variables involved with this calculation, excess contributions can't be accurately estimated ahead of time, and therefore will not appear on any retirement estimates you may receive. Your commuted value and resulting excess contributions, if any, can only be determined at your actual retirement date.

Excess contribution payouts are taxable income, though the STRP will transfer all or a portion of those payouts to a Registered Retirement Savings Plan if you have the RRSP contribution room.

* Contributions and interest are adjusted for any teacher contributions and interest unmatched by government before the excess test is performed.

STRP UPDATE

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SASKATCHEWAN TEACHERS' FEDERATION

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