



Financial
Services
Commission

A Statistical Perspective On Pension Plans Registered In Saskatchewan

Pensions Division

Saskatchewan

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Introduction

The statistics reported in the Statistical Trends section were derived from Annual Information Returns filed with the Pensions Division in 2005 and 2006 for plan year ends from January 1, 2005 to December 31, 2005, inclusive.

The Funding Defined Benefits Plans section is based on the most recently filed actuarial valuation for each defined benefit plan registered with the Pensions Division. As actuarial valuations are required to be filed every third year, some of the valuation statistics date as far back as January 1, 2003.

This report focuses on the plans registered with the Pensions Division. It should be noted, however, that a substantial number of Saskatchewan members participate in plans that are not regulated by the Division. Many plans are registered with another provincial pension authority or the federal government. Several plans are not supervised by any pension authority.

At the beginning of 2005, 201,499 Saskatchewan workers participated in 1,281 employer-sponsored pension plans:

Saskatchewan Worker Participation in Pension Plans		
Jurisdiction of Registration	# of Plans	# of Members
Saskatchewan Pensions Division	401	139,793
Another provincial pension authority	697	25,294
Federal government	173	20,763
Not supervised by pension authority	10	15,649
Total	1,281	201,499

About 49% of paid workers in Saskatchewan participate in a registered pension plan. Nationally, the comparable rate is 39%. Saskatchewan has a higher than average proportion of its paid workers in the public sector where coverage is close to universal. The coverage rate in the private sector is in the range of 25% to 30%. About 64% of the 201,499 plan members work for a public sector employer.

In Canada, about 18% of plan members participate in a defined contribution or money purchase plan. In Saskatchewan, about 44% of members belong to such plans.

Statistical Highlights

Table 1- Statistics on the Activities of the Pensions Division

Fiscal Year	New Plans Registered	Plan Terminations Reviewed	Annual Information Returns Reviewed	Plan Amendments Registered
1995/96	19	29	397	370
1996/97	28	27	362	153
1997/98	42	29	366	215
1998/99	29	20	407	235
1999/00	12	15	410	190
2000/01	14	24	399	201
2001/02	17	19	362	281
2002/03	11	18	399	226
2003/04	22	19	366	151
2004/05	22	14	388	123
2005/06	35	22	366	250
2006/07	38	12	365	346

Division Activity

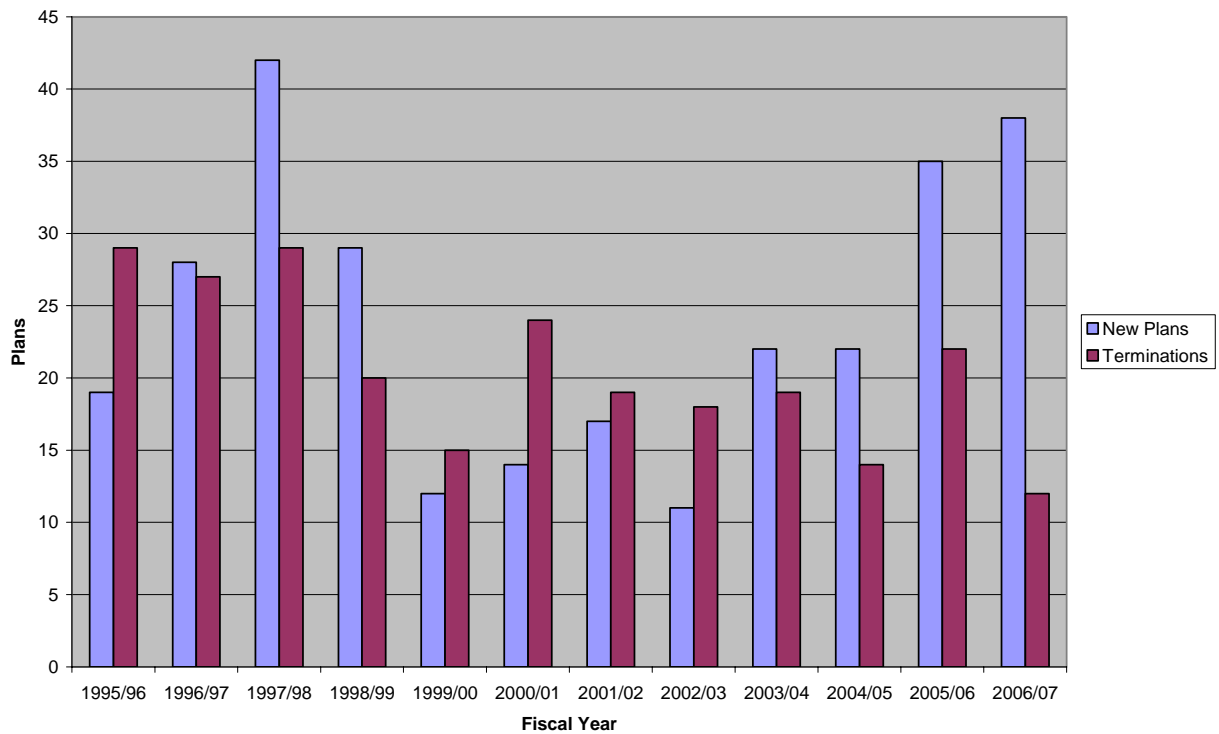


Table 2

# of Active Members by Size of Pension Plan for the Period January 1, 2005 to December 31, 2005			
Member Ranges	# of Members	# of Plans	Average Members Per Plan
1 - 10	396	143	3
11 - 15	350	27	13
16 - 20	303	17	18
21 - 50	2,344	74	33
51 - 100	3,326	49	68
101 - 200	2,672	19	141
201 - 300	4,433	18	246
301 - 400	3,048	9	339
401 - 500	1,392	3	464
501 - 600	3,629	7	518
601 - 1000	8,328	12	757
1001 - 2000	8,727	6	1,455
2001 - 3000	2,143	1	2,143
3001 - 4000	3,872	1	3,872
4001 - 5000	4,575	1	4,575
5001 - 10000	0	0	0
10001 and over	99,949	5	19,990
Totals	149,577	391	383
Previous Year	149,620	374	400

The table is based on annual information returns filed for plan years ending in 2005 and includes plans registered in Saskatchewan with some members employed in other provinces, but excludes 8 plans with no active members.

Membership is concentrated in a few plans. The three largest plans accounted for 51% of the total number of members and five plans held 67% of all members. Twenty-seven plans (7% of the total number of plans) had 86% of the total number of members.

Table 3

Contributions to Supervised Plans for Period January 1, 2005 to December 31, 2005	
MEMBER CONTRIBUTIONS	
Required member contributions	\$ 289,923,297
Additional voluntary contributions	<u>15,432,158</u>
Total member contributions	<u>\$ 305,355,455</u>
EMPLOYER CONTRIBUTIONS	
Required employer contributions	\$ 388,409,712
Less termination/death forfeitures used	(596,748)
Less surplus assets used	<u>(31,228,257)</u>
Net current service contributions	<u>\$ 356,584,707</u>
Unfunded liability special payments	\$ 52,802,956
Solvency deficiency special payments	45,014,030
Pre-1993 special payments	<u>0</u>
Total special payments	<u>\$ 97,816,986</u>
Total employer contributions	<u>\$ 454,401,693</u>
TOTAL CONTRIBUTIONS	<u>\$ 759,757,148</u>
PREVIOUS YEAR	<u>\$726,492,336</u>

The table is based on annual information returns filed for plan years ending in 2005 and includes plans registered in Saskatchewan with some members employed in other provinces.

Fewer plans are using surplus assets. Twenty-one plans reported using surplus assets totalling \$31,228,257 in 2005 compared to 26 plans which reported the use of surplus assets totalling \$27,558,010 in 2004. The majority of the plans reporting surplus utilization were in fixed rate plans that require members to share equally in the cost of funding.

Special payments to amortize unfunded liabilities and solvency deficiencies continue to increase. In 2005, special payments totalling \$97,816,986 were reported compared to special payments of \$93,303,950 reported in 2004.

Table 4

# of Active Members and Market Value by Pension Plan Type for Period January 1 to December 31, 2005			
Plan Type	# of Plans	# of Members	Market Value
Final Average	16	19,677	3,166,822,952
Average Best	17	47,796	6,319,461,735
Career Average	11	2,050	163,038,242
Flat Benefit	21	6,940	540,378,372
Composite	0	0	0
Hybrid	4	742	56,419,858
Designated Plan	101	180	45,258,584
Subtotal	170	77,385	\$10,291,379,743
Defined Contribution	221	72,192	8,119,761,009
Total	391	149,577	\$18,411,140,752

The table is based on annual information returns filed for plan years ending in 2005 and includes plans registered in Saskatchewan with some members employed in other provinces, but excludes 8 plans with no active members.

Defined benefit plans were, on average, bigger than defined contribution plans. Fifty-seven per cent of the pension plans were defined contribution, but those plans contained 48% of the total plan members and 44% of the total assets.

Table 5

# of Active Members by Market Value of Pension Plan for the Period January 1, 2005 to December 31, 2005				
Market Value Range	# of Members	# of Plans	Total Market Value	Average Market Value
Under \$100,000	175	28	\$889,223	\$31,758
Under \$500,000	1,422	134	\$37,694,327	\$281,301
Under \$1 million	1,561	61	\$42,254,809	\$692,702
Under \$5 million	5,439	79	\$172,535,305	\$2,183,991
Under \$10 million	2,925	20	\$154,724,847	\$7,736,242
Under \$100 million	18,457	49	\$1,437,640,144	\$29,339,595
Under \$500 million	10,667	12	\$2,532,203,164	\$211,016,930
Under \$ 1 billion	8,982	3	\$2,499,961,230	\$833,320,410
\$ 1 billion and over	99,949	5	\$11,533,237,703	\$2,306,647,541
Total	149,577	391	\$18,411,140,752	\$47,087,317

As at December 31, 2005, five plans had assets exceeding \$1 billion. Those five plans represented about 1% of plans registered with the Pensions Division and held 67% of plan members and 63% of the total market value of all plans.

Funding Defined Benefit Plans

You will note that the membership data on page 10 of this section of the report does not reconcile to that reported in the Statistical Highlights section. The data in this section is from current actuarial valuations filed with the Division. The Statistical Highlights section uses data obtained by the Annual Information Returns covering the period January 1, 2005 to December 31, 2005.

Highlights of the statistics on the funding of defined benefit plans include:

- The plans are relatively immature. Active members outnumber other beneficiaries by about a 2 to 1 margin. (Table 6) The ratio of liabilities for active members to the liabilities for non-active members is 1.6 to 1.
- The funding of plans has declined slightly since our last report, largely due to a sustained drop in long-term interest rates. The actuarial value of plan assets was \$8.79 billion compared with the actuarial value of plan liabilities of \$8.63 billion, meaning the system as a whole has a surplus of about \$161 million. (Tables 7 and 8) In our last report, the system was in surplus by about \$179 million.
- On a going concern basis, 138 plans had an unfunded liability compared to 59 plans with a surplus. Total unfunded liabilities of plans have decreased slightly from \$292 million to \$272 million, while total surplus assets of plans have fallen from \$470 million to \$434 million. Eleven plans accounted for about 90 per cent of the \$272 million in unfunded liabilities. (Tables 9 and 10)
- As well, the membership profile of plans with an unfunded liability has remained relatively stable since our previous report. Previously, plans with an unfunded liability had 497 members and former members per plan, while plans with surplus had 1,028 beneficiaries per plan. Currently, plans with an unfunded liability have 434 members and former members, while plans with surplus assets have 965 beneficiaries per plan.
- Many of the designated plans carry an unfunded liability. (Table 9) By “a designated plan”, we mean a plan that meets the criteria of section 8515 of the *Income Tax Regulations* (Canada). Such plans are generally for connected persons and senior executives. They often are established with significant past service liabilities and no assets. Designated plans now account for 64% of defined benefit plans registered with the Pensions Division but hold less than 1% of total beneficiaries.
- Designated plans must be funded in accordance with the rules prescribed under the *Income Tax Regulations* (Canada). Consequently, we have not included these plans in Tables 11 through Table 20.

- The funded ratio of a plan is determined by dividing its actuarial assets by its accrued actuarial liabilities, where the actuarial valuation is based on the assumption that the plan is a going concern. A plan with a funded ratio of less than 1.00 has an unfunded liability. In our previous report, 52 per cent of plan beneficiaries belonged to plans that had a funded ratio of 1.00 or more. Currently 49 per cent of plan beneficiaries participate in plans with a funded ratio of 1.00 or more.
- The solvency ratio of a plan also is calculated by dividing its assets by its liabilities, except that the values are determined as if the plan had terminated. Having insufficient assets on plan termination may result in a reduction of benefits; therefore, the solvency ratio is an important measure of risk. Forty-three per cent of the plans meet this test of solvency which is the same as in our previous report. In terms of membership, 76 per cent of plan beneficiaries participate in a plan with a solvency ratio greater than 1.00. In our previous report, 74 per cent of beneficiaries belonged to a plan having a solvency ratio greater than 1.00.
- The actuarial method most frequently used by actuaries for determining the value of liabilities on a going concern basis is the unit credit method. The method was used in 80% of the valuations.
- Assets were most frequently valued on a market value basis, with actuaries using market value or adjusted market value over 99 per cent of the time. Pure market value was used 60 per cent of the time.
- The use of market value as a valuation basis has resulted in the market value of assets being about \$200 million higher than the actuarial value of assets. This is a change from the previous report where the market value of assets exceeded the actuarial value of assets by \$12 million.
- The current report shows that 89 per cent of plans are now using GAM 94, as the basis for the assumption with respect to mortality.
- The long-term interest rate assumed by actuaries fell within a relatively tight range. Actuaries used between 5.75% and 6.75% in valuing about 76 per cent of the plans. There are no valuations using an interest assumption above 7.0%.
- Of the 33 plans that required a salary projection, 28 used a rate less than 5.0% per annum.
- Last report, 18 of 34 plans had a salary/interest spread of more than 2%. This report, 19 of 33 plans had a spread that exceeded 2%. We have excluded plans that have no active members from Tables 19 and 20 in this report.

Table 6

Membership of Defined Benefit Plans						
Plan Type	# of Plans	Active Members	Inactive Members	Deferred Members	Pensioners	Total Beneficiaries
Final Average	17	20,665	1,427	2,872	8,536	33,500
Average Best	18	49,067	1,923	3,844	11,991	66,825
Career Average	11	1,755	0	596	501	2,852
Flat Benefit	20	6,048	113	4,386	2,202	12,749
Designated Plan	127	199	0	1	17	217
Hybrid	4	460	81	52	119	712
Totals	197	78,194	3,544	11,751	23,366	116,855

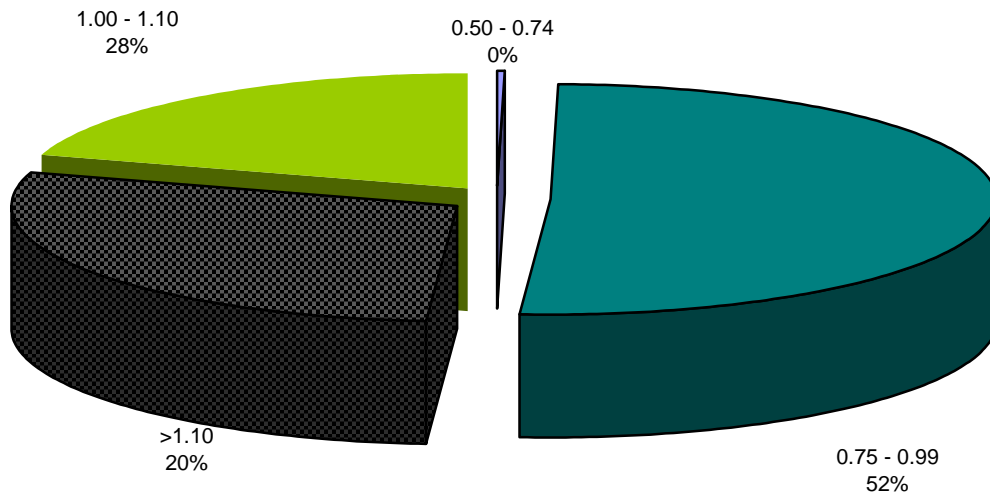
The registration of Designated Pension Plans continues to rise. These plans now account for 64% of defined benefit plans registered with the Pensions Division but hold less than 1% of total beneficiaries.

Type of Plan	# of Plans	Active Members	Total Ben.	Ongoing Liabilities	Average Per Plan	Average Per Active Member	Average Per Ben.
Final Average	17	20,665	33,500	\$2,838,678,347	\$166,981,079	\$137,366	\$84,737
Average Best	18	49,067	66,825	\$5,106,530,213	\$283,696,123	\$104,073	\$76,416
Career Average	11	1,755	2,852	\$138,529,701	\$12,593,609	\$78,934	\$48,573
Flat Benefit	20	6,048	12,749	\$481,875,353	\$24,093,768	\$79,675	\$37,797
Designated Plan	127	199	217	\$52,920,117	\$416,694	\$265,930	\$243,872
Hybrid	4	460	712	\$16,117,132	\$4,029,283	\$35,037	\$22,636
Total	197	78,194	116,855	\$8,634,650,863	\$43,830,715	\$110,426	\$73,892

Type of Plan	# of Plans	Active Members	Total Ben.	Plan Assets	Average Per Plan	Average Per Active Member	Average Per Ben.
Final Average	17	20,665	33,500	\$2,867,917,887	\$168,701,052	\$138,849	\$85,609
Average Best	18	49,067	66,825	\$5,269,973,414	\$292,776,301	\$107,404	\$78,862
Career Average	11	1,755	2,852	\$139,203,798	\$12,654,891	\$79,318	\$48,809
Flat Benefit	20	6,048	12,749	\$460,427,146	\$23,021,357	\$76,129	\$36,115
Designated Plan	127	199	217	\$41,854,164	\$329,560	\$210,322	\$192,876
Hybrid	4	460	712	\$16,657,404	\$4,164,351	\$36,212	\$23,395
Total	197	78,194	116,855	\$8,796,033,813	\$44,649,918	\$112,490	\$75,273

Table 11

Funded Ratio (Assets/Liabilities)		
Funded Ratio	# of Plans	# of Beneficiaries
0.50 – 0.74	3	456
0.75 - 0.99	27	59,252
1.00 - 1.10	31	33,218
>1.10	9	23,712
Total	70	116,638

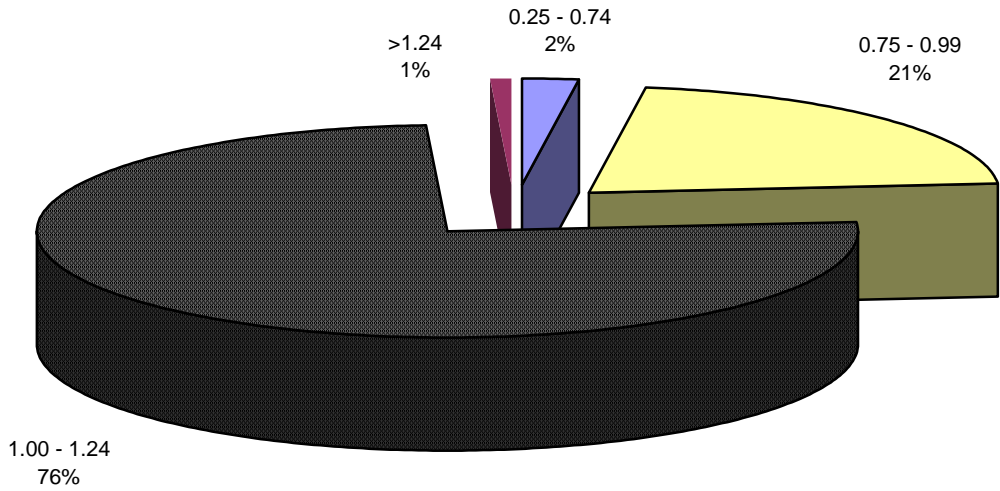


Funded Ratio as a Percentage of Beneficiaries

Note: Excludes Designated Plans

Table 12

Solvency Ratio (Assets/Liabilities)		
Solvency Ratio	# of Plans	# of Beneficiaries
0.25 – 0.74	7	2,602
0.75 – 0.99	33	24,962
1.00 – 1.24	25	88,175
>1.24	5	899
Total	70	116,638



Solvency Ratio as a Percentage of Beneficiaries

Note: Excludes Designated Plans

Table 13						
Method of Valuing Liabilities						
Plan Type	Final Average	Average Best	Career Average	Flat Benefit	Hybrid	Total
Method						
Projected Unit Credit	15	10	4	5	3	37
Unit Credit			7	11	1	19
Attained Age	2	6		2		10
Aggregate Cost						0
Entry Age		2		2		4
Total	17	18	11	20	4	70

Table 14						
Method of Valuing Assets						
Plan Type	Final Average	Average Best	Career Average	Flat Benefit	Hybrid	Total
Method						
Book						0
Adjusted Book		1				1
Market	9	7	9	14	3	42
Adjusted Market	8	10	2	6	1	27
Blend of Book/Market						0
Total	17	18	11	20	4	70

Note: Excludes Designated Plans

Table 15

Comparison of Market Value to Actuarial Value of Assets			
Plan Type	# of Plans	Market Value	Actuarial Value
Final Average	17	\$3,042,669,667	\$2,867,917,887
Average Best	18	\$5,293,472,824	\$5,269,973,414
Career Average	11	\$140,011,813	\$139,203,798
Flat Benefit	20	\$460,956,211	\$460,427,146
Hybrid	4	\$16,953,404	\$16,657,404
Total	70	\$8,954,063,919	\$8,754,179,649

Table 16

Mortality Table Used	
Table Used	# of Plans
GAM 94 Static	10
GAM 94 UP	39
GAM 94 Adjusted	10
GAM 94 GAR	3
GAM 83	5
GAM 83 Adjusted	3
Total	70

Note: Excludes Designated Plans

Table 17 Interest Assumption Used	
Rate	# of Plans
5.25	1
5.50	2
5.75	5
6.00	15
6.25	6
6.50	22
6.75	5
7.00	14
Total	70

Table 18 Salary Assumption Used (Final Average and Average Best Plans)	
Rate	# of Plans
2.50	1
3.25	2
3.50	6
3.75	2
3.95	1
4.00	4
4.10	1
4.25	1
4.50	9
4.75	1
5.00	4
5.50	1
Total	33

Table 19

Spread Between Interest and Salary Assumptions (Final Average and Average Best Plans)	
Difference	# of Plans
0.50	1
0.75	1
1.00	1
1.50	2
1.75	3
1.90	1
2.00	6
2.25	1
2.50	6
2.55	1
2.75	2
3.00	3
3.25	2
3.50	2
3.75	1
Total	33

Table 20

Differential	3.75	3.50	3.25	3.00	2.75	2.55	2.50	2.25	2.00	1.90	1.75	1.50	1.00	0.75	0.50
Interest Rate															
5.25															1
5.75											2				
6.00		1			1					1	1	1	1		
6.25								1						1	
6.50				3	1	1	1		4			1			
6.75			2				1								
7.00	1	1					4		2						
Total	1	2	2	3	2	1	6	1	6	1	3	2	1	1	1

Excludes Designated Plans

For additional information please contact:

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