Pension Plan Year in Review 2012

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Life•Health•Pension

The Pension Plan for Participating Employers of the Newfoundland and Labrador Municipal Employee Benefits Inc. ("Plan") is administered and operated for the benefit of participating municipalities and their eligible employees by NLMEB Inc., operating as TRIO.

The TRIO Board of Directors is responsible for the overall management of the Plan. On the advice of its consultants, the Board determines appropriate investment policies, and has the fiduciary duty to ensure the long-term sustainability and viability of the fund.

This Year in Review has been prepared for plan members and participating employers to provide information on the operation of the Plan.

Pension Plan at a Glance

Some important highlights of the TRIO Plan are as follows:

- Inception Date: October 1, 1978
- Participation: 37 municipalities
- Active members: 599
- Pensioners: 174
- Participation Options: 8 defined benefit
1 defined contribution

TRIO Board	
Dennis Kelly	President
John Dawson	Vice-President
Rodney Cumby	Director
Keith Keating	Director
Neil Shute	Director
Carol Ann Smith	Director

Actuarial Valuation and Pension Fund Reconciliation

Going Concern Valuation as at 31-Dec-2011	
Assets	$59,280,000
Liabilities	$65,738,000
Excess / (Deficit)	($6,458,000)
Funded Ratio	90.2%
Employee Contributions	$ 2,407,000
Employer match	$ 2,407,000
Employer Special Payments	$ 771,000
Total Annual Contribution	$ 5,585,000

Fund Reconciliation 2012	
January 1 (market value)	$56,659,000
Employee Contributions	$ 2,742,000
Employer Contributions	$ 3,295,000
Investment Income	$ 5,284,000
Sub-total	$11,321,000
Pensions Paid and Lump Sum Payments	($3,181,000)
Fees and Expenses	($390,000)
Sub-total	($3,571,000)
December 31 (market value)	$64,409,000

Plan Changes

TRIO undertook a review of the benefits provided under the Plan's defined benefit options. Changes to the Plan affecting defined benefit Options 1 through 8 were made effective December 31, 2012.

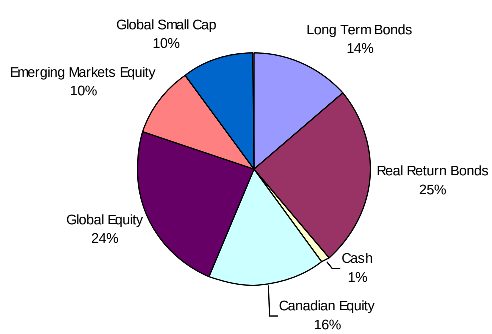
The main changes adopted include the freezing of best average earnings as at December 31, 2012 for Options 1, 2, 3, 4, 5 and 8, replacing it with a career average earnings formula for service after December 31, 2012. For Options 6 and 7, guaranteed post-retirement indexing was eliminated for pensions accrued after December 31, 2012. Further, a modest reduction in employee required contributions was made for Option 4 to make it consistent with the contribution levels for other comparable options.

It is the intention of TRIO to provide future increases, when it deems appropriate to do so, on an *"ad hoc"* or *"excess interest basis"* for both frozen best average earnings and career average earnings under Options 1, 2, 3, 4, 5 and 8, and for pensions accrued after December 31, 2012 under Options 6 and 7. Any such increases will depend upon the future financial performance of the Plan.

With the above changes, TRIO has taken the steps required to adapt the Plan's benefit structure to continue to provide a secure and affordable pension to municipal sector employees under a sustainable pension plan.

Investments

Target Asset Allocation at July 15, 2012



Investment Returns		
Year	TRIO	Median Balanced
2009	17.6%	16.5%
2010	9.9%	10.0%
2011	3.4%	-1.0%
2012	9.1%	9.1%

Source: Mercer Pooled Fund Survey of Canadian Investment Managers. The Median Balanced return is the return of balanced pension funds at which half of managers did better and half did worse. Balanced funds invest across a wide range of asset classes.

Overall, the deficit in the Plan can be traced back to the unprecedented market decline in 2008. Since that time, favourable investment returns, recent Plan changes and employer special payments have all contributed to an improvement in the Plan's financial position.

Contact TRIO *(TRIO is operated by NL Municipal Employee Benefits, Inc.)*

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