HALIFAX REGIONAL MUNICIPALITY
PENSION COMMITTEE MEETING
Thursday, November 19, 2015
Fairbanks Centre, Avery Room
54 Locks Road, Shubie Park, Dartmouth, NS
9:00 a.m. – 4:00 p.m.

MEMBERS: Andrew Bone, NSUPE
Rick Dexter, NUMEA
Sheldon Harper, CUPE
Mike Lawlor, Retiree
R. Scott MacDonald, HRPA *(until 1:30 p.m.)*
Ray MacKenzie, ATU
Bill Moore, Management, Co-Chair
Louis de Montbrun, Management
Mike Sampson, Management
Britt Wilson, Management
Dan White, IAFF, Co-Chair

ALTERNATES: Stephen Bussey, IAFF
Jack Dragatis, ATU
Nigel Field, Retiree
Melanie Gerrior, NSUPE
Sherry Hilchey, NUMEA
Brian Leslie, Retiree
Greg MacKay, NUMEA
Roxanne MacLaurin, Management *(acting for John Traves)*
Ted Moore, IAFF
Peter Nixon, HRPA
Jordan Taylor, CUPE

STAFF: Terri Troy, CEO
Donna Bayers, Executive Assistant
Matt Leonard, Manager, Finance & Operations
Lisa Tanner, Manager, Plan Member Services

OTHERS: Anne Patterson, Halifax Regional School Board
Cheryl Little, Halifax Water *(for Cathie O'Toole)*
Don Ireland, Actuary, Aon Hewitt

REGRETS: John Traves, Management

OBSERVERS: Claudia MacFarlane, President, NSUPE Local 14 (Halifax Public Library) and Vice President, NSUPE
Tracy Clattenburg, HR Administrator, Halifax Regional School Board
Mark Cunningham, CUPE 108 President

1. CALL TO ORDER

The meeting was called to order at 9:00 a.m. by the Co-Chair, Mr. Dan White. The Committee introduced observers, Ms. Claudia MacFarlane, NSUPE Local 14 President (Halifax Public Library) and Vice President, NSUPE; Mr. Mark Cunningham, CUPE 108 President and Ms. Tracy Clattenburg, HR Administrator, Halifax Regional School Board. An In Camera meeting will be held at the end of this meeting.

2. APPROVAL OF THE AGENDA, ADDITIONS, AND DELETIONS

Moved by Ray MacKenzie and Seconded by Britt Wilson to approve the agenda as presented. Motion Put and Passed.

3. APPROVAL OF MINUTES – September 24, 2015

Ms. Cheryl Little, Halifax Water, noted that she was not on the list of attendees for the September 24, 2015 minutes but was in attendance at the meeting.

Moved by Rick Dexter and Seconded by R. Scott MacDonald to approve the September 24, 2015 minutes as amended. Motion Put and Passed.

4. Q3 Executive Summary

A copy of the Q3 CEO Update was distributed in the Pension Committee meeting package. Ms. Troy provided a brief overview of the five most recent US Federal Reserve interest rate hiking cycles. She reviewed various US and Canadian interest rate increase scenarios. A 0.25% increase in US and Canadian bond yields is expected to lower the overall return of the Master Trust by 0.14% and 0.42% respectively and lower the return of the publicly traded fixed income portfolio by 0.80% and 1.12% respectively. The impact of a Canadian rate increase has a greater negative impact on the Master Trust because there are more Canadian than US bonds due to Canadian pension obligations. In a rising rate environment, the Master Trust's shift to shorter duration bonds will significantly reduce the negative impact. For example, a 0.25% increase in Canadian bond yields would negatively impact a 30 year long bond by -5.30% and a 10 year bond by -2.20%.

Mr. Bussey asked if the Canadian interest rates increase, would this decrease our liabilities? Ms. Troy replied, yes, this would help our liabilities.

Mr. B. Wilson asked if interest rates going up would affect the liabilities on a solvency basis but not on a going concern basis? Ms. Troy replied, yes.

Pension Office staff are performing due diligence checks on proposals received for third party pension administration system/actuarial services. Ms. Tanner will provide a full report at the March Committee meeting.

Ms. Troy reported that as of close of business on November 18, 2015, the estimated year to date return for the Master Trust was 8.1%.

Mr. Bussey commented that last year there was a lot of talk around real estate bubbles. Since the Master Trust invests in real estate, are there any concerns? Ms. Troy replied, no, most of the real estate is apartment buildings in Canada. If there is a bubble, it works in our favour as more people will have to rent.

Mr. de Montbrun referred to the column on Page 11 of the presentation which refers to Management Fee Savings and asked if there is a management fee that is paid? For the next report, Ms. Troy will add a column which will show the management fee paid.

5. GOVERNANCE REVIEW

5.1 Committee Self-Monitoring STANDING ITEM (Committee)

- Process
- Performance

Mr. D. White commented that with the amount of material and issues the Committee is working on right now, he suggested another meeting be added to the 4-5 meetings a year currently being held. He suggested another meeting in January or February 2016. Mr. B. Wilson agreed with a meeting in the new year but that we should look at this on an adhoc basis to start. The Committee agreed to this. Ms. Bayers will look at a date in January 2016.

5.2 Governance Policy Review – Committee-Management Delegation (Committee)

(a) Global Governance-Management Connection *(deferred from last meeting)*
A copy of the report is contained in the Pension Committee package.
The Committee reviewed and made no comments.

(b) Unity of Control *(deferred from last meeting)*
A copy of the report is contained in the Pension Committee package. The Committee reviewed and made no comments.

(c) Accountability of the CEO *(deferred from last meeting)*
A copy of the report is contained in the Pension Committee package. The Committee reviewed and made no comments.

(d) Global Governance Commitment
A copy of the report was included in the Pension Committee package. Mr. de Montbrun asked when referring to the HRMPP, does this include Halifax Water and the other Participating Employers? Ms. Troy replied, the HRMPP includes participating employers. The Water Commission is a participating employer in the HRMPP and has about 99 plan members. The Water Commission also has their own pension plan for the balance of its employees.

(e) Governing Style
A copy of the report was included in the Pension Committee package. Ms. MacLaurin referred to No. 3. A. regarding *"If a member/alternate does not attend at least 75% of Committee meetings during the past 12 months, the party appointing them will be asked to appoint someone else."* Does this mean if the member attends 50% and the alternate attends 25%, the member is fine? Mr. B. Moore replied that as long as each group has a member or alternate representing them at each meeting, it is fine. Extenuating circumstances would be taken into consideration. Mr. T. Moore asked if the Co-Chairs are monitoring this? Mr. B. Moore replied, yes.

(f) Committee Job Description
A copy of the report was included in the Pension Committee package. The Committee reviewed and made no comments.

(g) Agenda Planning
A copy of the report was included in the Pension Committee package. Mr. de Montbrun referred to No. 2 regarding *"The cycle will start with the Committee's development of its agenda for the next year."* He asked if the Committee actually plans the agendas? Mr. D. White replied that the monitoring reports are cycled throughout the year but agendas are not formally planned.

Ms. Troy referred to No. 5 and added that since the contract for the CEO has been revised, the timelines may differ and need to be consistent. Mr. D. White replied that the Committee will review and amend this.

Moved by Britt Wilson and Seconded by Roxanne MacLaurin to approve the above policies as reviewed. Motion Put and Passed.

5.3 Governance Policy Review – Executive Limitations

(a) Delegation of the CEO
A copy of the report was included in the Pension Committee package. The Committee reviewed and made no comments.

Moved by R. Scott MacDonald and Seconded by Ray MacKenzie to approve the above policy as reviewed. Motion Put and Passed.

5.4 Governance Policy Review – Executive Limitations – Monitoring Reports

(a) Financial Condition and Activities
A copy of the report was included in the Pension Committee package. Mr. de Montburn referred to No. 1 regarding *"the CEO will not allow operating expenses to be higher than 0.28% of plan assets per year."* He asked how this was verified? Ms. Troy replied that this is an unaudited report. All of these expenses form part of the annual audited financial statements as well as the annual report. Mr. Leonard added that the annual financial statements which include expenses are audited by the auditors.

Mr. Bussey referred to No. 5 regarding receivables. He asked if Harbour City Homes had submitted their cheque? Ms. Troy replied, yes. Mr. Bussey asked if late penalties are ever imposed? Ms. Troy replied that Harbour City Homes has to date not been assessed penalties. They are a very small participating employer with only two employees. Mr. B. Wilson added that it might be difficult to impose a penalty but that the Pension Act requires the remittances be made within a certain timeframe; therefore, Harbour City Homes is in violation of legislation. The Committee would like the Superintendent to be informed if this continues for the balance of the year. Mr. Leonard will reiterate to Harbour City Homes the requirements of the legislation and that penalties can be imposed.

Ms. Troy reported that the current Superintendent of Pensions will be retiring in March.

Mr. de Montbrun asked if there were any other receivables? Mr. Leonard replied, no.

(b) Service Providers
A copy of the report was included in the Pension Committee package. Mr. Bussey asked how are we doing on target returns versus actual returns on previous investments? Ms. Troy replied, exceeding or on track.

Mr. de Montbrun referred to the list of investments and asked if this was a complete list? Ms. Troy replied that these are all of the investment transactions that have occurred within the last 12 months prior to the date of the report.

(c) Investment
A copy of the report was included in the Pension Committee package. Mr. Bone referred to No. 5 regarding investment managers being in compliance with Investment Management Agreements and asked how do we ensure that they are in compliance? Ms. Troy replied that investment managers are randomly selected throughout the year to do checks. She referred to No. 6 of the report. Mr. Bussey referred to the asset mix in No. 1 and the allowable ranges. He asked if the Committee should look at this at some time in the future? Ms. Troy replied that this mix is based on a strategic long term range but would be happy for the Committee to look at this in the future.

Ms. Troy will bring more information to the next Committee meeting.

(d) Communication and Support to the Committee
A copy of the report was included in the Pension Committee package. The Co-Chairs had proposed that the 2016 AGM be held at the St. Mary's Boat Club since the cost of the Alderney Landing Theatre was much more expensive. They asked for the Committee's feedback.

Ms. Hilchey suggested the Dartmouth Sportsplex. Mr. MacKay added that the acoustics at the St. Mary's Boat Club are not very good. Ms. Bayers will investigate the Dartmouth Sportsplex to see if it is available. If not available, the Alderney Landing Theatre is tentatively booked. Mr. Bone suggested starting the meeting at 5:30 p.m. to avoid being delayed with traffic. The Committee agreed to this start time. The date of the AGM for 2016 is June 23rd.

Mr. de Montbrun referred to 1.E. regarding anticipated media coverage, threatened or pending lawsuits. He would like to see a statement saying there are no lawsuits. Ms. Troy will add this to the next report.

Ms. Hilchey referred to 1.B. and asked what are the issues with Aon Hewitt around the outstanding statements? Ms. Tanner provided an update to this report. As of November 18, 2015, there were 13 outstanding statements for members who had transferred service. There are 14 statements outstanding for members that joined the Plan in 2014 whose enrolment forms were either incomplete or delivered late. Meetings are held every two weeks with Aon to get an update on the outstanding statements.

(e) Asset Protection
A copy of the report was included in the Pension Committee package. Mr. de Montbrun asked if the insurance coverage for the Pension Office was reasonable? Mr. Leonard replied that through his discussions with the insurance provider, the coverage is reasonable and that he reviews a list of the office contents each year to ensure adequate coverage. He is currently comparing the insurance costs of other insurance providers and may be changing the provider for the coming year if the premium is lower for the same or better insurance coverage than the existing policy.

Moved by Mike Sampson and Seconded by Bill Moore to approve the above policies as presented. Motion Put and Passed.

6. BUSINESS ARISING FROM THE MINUTES

6.1 Review of Actuarial Valuation

Mr. D. White introduced Mr. Don Ireland, Actuary, Aon Hewitt. A copy of the Actuarial Valuation as at December 31, 2014 is contained in the Pension Committee package. Mr. Ireland provided an overview of the important results and key valuation assumptions of the Actuarial Valuation as at December 31, 2014. The next required valuation will be as at December 31, 2015 as prescribed by the Pension Benefits Act.

The Committee had discussed a possible increase in contributions of 0.25% employee/employer effective January 1, 2016. The Actuarial Valuation supports a total minimum contribution rate of 23.9% for 2015 and acknowledges that the Committee can increase contributions to a total of 24.4% at January 1, 2016.

Mr. D. White referred to page 8 of the report and asked if the change in liabilities due to change in assumptions of $9,730,000 is based entirely on the 6.55% discount rate. Mr. Ireland replied, yes.

Ms. Troy referred to Page 11 regarding the "grow-in" benefits included in the transfer ratio. She asked Mr. Ireland if this makes sense and why this was done? Is it prevalent across Canada? Mr. Ireland replied that it is consistent with Ontario but most jurisdictions other than Ontario and Nova Scotia do not have grow-in benefits. Ms. Troy asked what is the rationale for the PBA to now include the value of "grow-in" benefits in the solvency liabilities, thereby decreasing the transfer ratio. This in turn further increases the amount of commuted value payments that we hold back from plan members. Mr. Ireland replied that it does not make sense to hold back on a benefit if you are not funding it. If the Plan winds up, the hold back would not have been paid out so these members would share in any reductions.

Mr. D. White referred to Appendix C regarding the retirement assumptions where it states *"60% at earliest unreduced retirement age and remainder at normal retirement date."* In the fire department, Mr. White does not see many firefighters retiring as soon as they reach their Earliest Retirement Date (ERD). He asked if there is a test for this assumption? Mr. Ireland replied that a valuation is done for each of the main assumptions. The gap is outlined in the reconciliation on Page 8. It was discovered that there were an unusual number of people with high pensions retiring at an earlier age than the assumption.

Mr. Bussey asked if the inflation rate of 2.25% is still a valid rate? Mr. Ireland replied that the inflation rate was trending in the 2-2.5% range in 2011. Since 2011, the inflation rate has been less than 2.5%. There is concern that even though we are in a low growth environment, the US is looking at increasing their target inflation rate beyond 2%. He added that if you reduce the inflation rate, your salary increases might come down which would reduce your liabilities. However, this would also reduce the discount rate assumptions.

Mr. Ireland referred to Appendix F: Administrator Certification which requires sign off. The Pension Office will coordinate filing the valuation with the Superintendent of Pensions.

Moved by Rick Dexter and Seconded by Mike Sampson to accept the Actuarial Valuation Report as at December 31, 2014 as presented. Motion Put and Passed.

6.2 Funding Policy

Mr. Ireland referred to the revised HRMPP Funding Policy contained in the Pension Committee package. He reviewed the purpose of a funding policy and the suggestions put forth in No. 2(d) and 3(c). The HRMPP Funding Policy is a high level policy. Mr. Ireland commented that other funding policies in the public sector are moving toward a more prescriptive type approach. He suggested looking more at the funding policy as the margin policy is discussed.

Mr. D. White asked where in the funding policy would you make reference to margin? Would this be an objective? Mr. Ireland replied, no, it would be a long term strategy to mitigate risk and would be discussed under Section 3 of the funding policy.

Mr. Sampson asked if this policy is a required document by legislation? Mr. Ireland replied that it is not required in Nova Scotia but is in other jurisdictions such as Alberta, British Columbia and Quebec. Even though it may not be required, every plan of this size would have a funding policy in place. Mr. Sampson asked how would the Committee use this document as a tool? Mr. Ireland replied that the HRMPP's current funding policy provides guidance. Mr. Sampson expressed his concern that actions taken could violate the funding policy.

Mr. R. Scott MacDonald added that the current funding policy was adopted at the same time the amalgamation surplus policy which was in place since 1998 was repealed.

Mr. de Montbrun asked if there were any examples of more prescriptive policies that could be circulated? Mr. Ireland replied that he will provide the Pension Office with examples.

Moved by R. Scott MacDonald and Seconded by Ray MacKenzie to approve the Funding Policy as presented. Motion Put and Passed.

Mr. B. Wilson referred to the 2014 actuarial valuation which was just approved and the guidelines for the funding policy. The Committee acknowledges that contribution rates may be raised in 2016. Mr. Wilson asked how will this be accomplished? Mr. D. White replied that a motion was passed at the last meeting to raise contribution rates on January 1, 2016 by 0.25% employee/employer. Mr. R. Scott MacDonald added that this is consistent with 1(f) of the funding policy.

6.3 Commuted Value Payouts

A memo regarding Commuted Value Payouts was distributed in the Pension Committee package as well as a history of Committee discussions on this issue from March 30, 2005 – September 24, 2015. Ms. Tanner provided an update since the last Pension Committee meeting regarding retirement-eligible members currently allowed under the terms of the current plan to elect to transfer the commuted value of their pension benefit out of the plan at any time prior to their normal retirement date. Ms. Tanner reported on the number of members electing this option and what is the 5-year trend. Since 2011, there have been a total of 917 retirements. 22 or 2.4% of these retirements elected the commuted value transfer option. The Nova Scotia Pension Benefits Act does not require this option but does allow for it.

The Committee discussed next steps. Mr. Bone asked what is the cost to the Plan? Mr. D. White replied that the cost can be good or bad. When the money is removed from the Plan so is the liability. Mr. Ireland added that it does reduce risk but in the low interest rate environment, the values are probably higher than the reserve that is held on a going concern basis. There is a premium that is paid to settle that liability so there is a loss to the Plan. The loss depends on the members' circumstances. Ms. Troy asked Mr. Ireland for a broad average example for a person who is 52 years of age with a spouse. Mr. Ireland replied that the loss would be significant because of the low interest rate environment. If everyone who is eligible to retire at December 31, 2014, took all of their money out of the Plan, it would be approximately a $180 million loss to the Plan. If it happens relatively infrequently, it is not that bad but it is still a loss to the Plan.

Mr. B. Wilson commented that taking a commuted value is a personal decision. He feels it is a mismatch since the Plan is not funding for solvency but is still allowing this option. If we were funding for solvency, you would be funding this loss. By allowing the commuted value payouts, the Plan is allowing itself to be exposed to the low interest rate risk.

Mr. T. Moore expressed his concern that many people would retire and take their commuted value if this option was restricted.

Mr. Field felt that someone with a shortened life expectancy should still be given this option. Mr. B. Wilson asked if there was anything in the legislation regarding this? Ms. Tanner replied that there is a provision in the Act that allows someone who is terminally ill to withdraw their money from the Plan. The appropriate documentation would be required. Mr. R. Scott MacDonald asked if there was still a hold back for 5 years? Mr. Ireland was not sure but he believes that there would be no hold back.

Ms. Troy added another example of a single person with a shortened life expectancy. If the commuted value transfer option was taken away, then if the member passed away, the beneficiary would only receive the remainder of the ten year guarantee of the members benefit.

Mr. B. Wilson stressed that the Committee needs to keep in mind that the actuary has said that in this low interest rate environment, the Plan is taking a loss with commuted value payouts.

Mr. D. White added that if benefit changes are made, the people who are retiring today are going to get a better benefit. The people taking commuted value are getting more money than what it takes to fund their pension. He does not believe that this is hurting the Plan materially. He also added that a person's financial circumstances should be taken into consideration or if their spouse is sick or ill.

Mr. Field added that we should be concerned about providing a pension plan not an insurance policy.

Mr. Sampson commented that allowing a member to take a commuted value could cause a funding shortfall versus a member taking a pension benefit. He asked if this was inequitable? Mr. D. White replied that it is inequitable only for a short time because of the low interest rate environment. The Plan benefitted when interest rates were higher. Mr. Sampson also referred to the funding policy in 1(d) which states "provide equitable benefits."

Mr. Ireland added that the issue of how to calculate commuted values is a fairly topical issue in the industry right now. There has been discussion on what interest rates should apply to members who are eligible to retire, should they be based on a long term bond rate or on the discount rate? Ms. Troy asked if there was a division in opinion on this? Mr. Ireland replied that the division is between plan sponsors and regulators.

Mr. Sampson asked what is the industry standard? Mr. Ireland replied that in his experience, allowing commuted value payouts is not the norm. Mr. Sampson asked if you could change back to allowing commuted value payouts? Ms. Tanner replied that in her experience, if you took away this option, it would be taken away permanently.

Mr. D. White clarified that members who are not eligible to retire are allowed by law to take their commuted value.

Mr. MacKay asked if there was a way to charge a fee to protect the interests of the Plan? Ms. Tanner replied, no. Mr. Bone asked what regulates the commuted value? Ms. Troy replied, the regulations.

Ms. Tanner added that the numbers reported in the memo are based on those members who actually retired. It did not include terminated members who were retirement eligible so the percentage receiving the commuted value could be a higher number.

Mr. T. Moore would like to see six months' notice provided to members if the Committee decides to go forward to remove the commuted value transfer option to retirement eligible members.

Mr. R. Scott MacDonald would like to see more information on the provisions in the Pension Benefits Act for terminal illness or anything else that exists in the act related to this.

Mr. Dexter would like this brought back to the January 2016 meeting.

Mr. B. Wilson added for members who take the commuted value, the provision for life insurance will be decided by the employer and not the Plan. HRM would most likely deem this a retirement across the board.

The Committee decided to meet again in January 2016 to discuss this. The Committee also asked that the tables in the memo be updated to include terminated members in the total retirements.

Mr. Sampson added the need for strict administration rules if a change is made. Ms. MacLaurin asked for some real life scenarios for someone taking their commuted value versus taking a pension.

Mr. R. Scott MacDonald also asked if the Canadian Institute of Actuaries will be coming out with any proposed changes regarding discount rates? Mr. Ireland replied that the Canadian Institute of Actuaries set the standards for calculating commuted values. There are discussions taking place to look at changing the rules. There is a lean towards leaving them the same, however, it is recognized that there are different types of pension deals. New standards may come into play in another year. The regulators would look at different plans and decide whether the rules can be applied.

A discussion on margin and establishing a margin policy could also be discussed at the January meeting.

6.4 Reports on Service Standards

A copy of this report was included in the Pension Committee package. Ms. Tanner reviewed the report for the third quarter 2015. The HRM Pension Office continues to meet service standards in the majority of cases. Only 7 out of 107 transactions were completed late. Aon Hewitt is not fulfilling its commitment to 100% compliance with service standards. In the third quarter, Aon Hewitt spent the majority of their time working towards finishing up the remainder of the 2014 annual statements. This resulted in other transactions being delayed. Some delays are also due to new AON staff being trained.

6.5 Governance Update

Mr. B. Moore provided an update. Mr. B. Moore and Mr. D. White met with Mr. Ron Pink. Mr. Pink provided a document proposal consisting of the following outline:

- Review current operations management policies
- Review minutes
- Review operating structures of larger plans in Nova Scotia
- Analyze current operational trends as it applies to the HRMPP
- Analyze our structure in relation to those
- A study on the life of contribution levels into the future
- Compare and analyze against five comparable sized plans in Canada
- Future options for HRM

Timeline: Draft report by February 20, 2016 if go ahead was given before December 1, 2015. A tentative report would be provided by April 30, 2016 with a final report by June 30, 2016. Fees would be approximately $80,000 .

The Co-Chairs asked Mr. Pink a number of questions such as why are you looking into manuals since this is a strategic review. He replied the operational manual review is related to the governance of the Plan only. The Co-Chairs questioned him about the peer group. Mr. Pink expanded on a broader peer group including OMERS, Ontario Teachers, HOOPP, the City of Winnipeg, Vancouver and Alberta Municipal Plans. The only Nova Scotia Plan he would look into was the Provincial Plan. His review in relation to governance and sustainability would be what the other plans are doing in relation to funding.

Mr. B. Moore asked for feedback and direction from the Committee.

Mr. T. Moore asked if the Plan has ever done a review like this? Mr. D. White replied, not of this magnitude.

Ms. MacLaurin asked if this fee included HST and disbursements? Mr. B. Moore replied that HST and disbursements are additional. Mr. MacKay suggested asking for a cap on disbursements. Mr. de Montbrun asked if the cost for the actuary is included? Mr. B. Moore replied, yes. Mr. D. White suggested asking for a fixed price including HST and disbursements. Mr. B. Moore will ask that Mr. Pink report back to the Committee at various points to see if the scope needs to be expanded.

Ms. Troy suggested Mr. Pink speak with people in the industry such as Malcolm Hamilton and Jim Leech. Mr. D. White suggested having an independent person review the report. Ms. Troy would like to make sure that the Committee and Mr. Pink are clear on the expectations and also suggested Mr. Pink review all large municipal plans across Canada, for example, each capital city of each province to minimize the optics of cherry picking certain plans. Ms. Troy would like to know the rationale around using Morneau Shepell for the actuarial part of the review to illustrate the due diligence process for the selection of certain providers over others.

The Committee agreed that the Co-Chairs give direction to Mr. Pink to go ahead with the review and negotiate an all-in price.

6.6 Committee Education and Training Budget

A copy of this report was distributed in the Pension Committee package. Mr. Bone reported that the Training and Education Subcommittee will be meeting soon to discuss recent training and make recommendations for the coming year. He encouraged Committee members to take advantage of any training to the end of 2015.

Mr. MacKenzie asked if an Alternate has used their entire budget, could they borrow from someone else? Mr. D. White replied, no, but they can ask for a deviation from the Training and Education Subcommittee which would need to be approved by the Co-Chairs.

Mr. D. White added that some of the investment managers allow staff to bring along a Committee member to attend their Annual General Meeting. He encouraged Committee members to attend if the opportunity comes along as they are low cost to the Committee and a good source of education. He also stressed that these meetings are confidential. The Pension Office will advise when these opportunities arise. Mr. de Montbrun asked if decisions are made at these meetings? Ms. Troy replied that the Annual General Meetings would be for information only and no decisions are made. For the private investments, there is an Advisory Committee that meets before the Annual General Meeting. Key decisions are made at these meetings. Only investors specifically appointed to the Advisory Committee would be allowed to attend Advisory Committee members. Committee members would not be allowed to attend the Advisory Committee meetings.

6.7 Training Report

- ACPM – September 2015
  Mr. Lawlor attended and felt the presentations were very well done. Mr. Leslie also attended and thought the presentations were very interesting.
- CAIP Quebec – September 2015
  Mr. D. White attended this conference and said it was intense and very interesting but high level. He prepared a report and will distribute it to Committee members on request. CAIP West is coming up in December. Ray MacKenzie and Rick Dexter are attending.

6.8 Reciprocal Transfer Agreement (RTA) Deadlines

A memo was included in the Pension Committee package. One of the Alternates had asked the Committee to consider a plan member's request for an extension past the deadline to enter into a reciprocal transfer. The Committee asked the Pension Office to see if an extension would invalidate the RTA. The Pension Office has been advised by legal counsel that the Pension Committee has the power to extend the time limits set out in the RTA, as long as there is mutual agreement of all parties. Doing so, would not invalidate the RTA.

It is the practice of the Pension Office to not accept requests after the deadline. Ms. Tanner reviewed the issues for the Committee to consider. There are three other authorities that HRM Pension Plan has RTAs with, the Federal Government, OMERS and the Province of Newfoundland. All four of the agreements have different timelines. Mr. Bone asked what are the differences in the timelines for the three other agreements? Ms. Tanner replied within one year of membership for the Federal Government, six months of membership for Ontario and six months of membership for Newfoundland. The Province is within one year of employment. The deadline can be extended for the Federal Government if it is not the fault of the plan member.

Mr. Dexter asked what is the administrative cost to do this? Ms. Tanner replied that the cost to do the reciprocal transfer is the greater of the actuarial value based on the assumptions that are outlined in the reciprocal transfer agreement versus the termination value. There are no holdbacks for reciprocal transfer agreements.

Mr. R. Scott MacDonald was concerned that this would be a deviation from previous practice since some members have already been previously denied.

Mr. T. Moore was concerned that we are spending money on legal advice when there are already rules in place.

Mr. Sampson asked if the Committee is being asked to amend the reciprocal transfer agreement? Mr. D. White replied, no.

Ms. Hilchey asked how members are informed that there is a reciprocal transfer option? Ms. Tanner replied that she is not aware of what other plans do but the HRMPP enrolment form does have information on it to notify the member.

Mr. B. Wilson added that these rules are in place because calculations are dependent on time and interest rates.

Ms. Troy referred to Mr. T. Moore's concern regarding legal advice and added this item was an action item from the Committee.

Moved by Rick Dexter and Seconded by Ray MacKenzie that the Pension Office adhere to the existing terms of the Reciprocal Transfer Agreement Policy. Motion Put and Passed.

7. NEW BUSINESS

7.1 Employer Data

A memo was included in the Pension Committee package. Ms. Tanner reported that there are a number of challenges regarding employer data which is not unusual for a plan of this size. There were some issues with the ability of some Participating Employers to report the data in the prescribed format to Aon Hewitt, the third party administrator as well as how Aon Hewitt was interpreting the data. The Pension Office wishes to make this process more efficient in 2016.

Ms. Tanner reviewed some of the common problems that need to be addressed. One of the issues is when there are two periods of employment in the same year. Mr. Field asked if this would be a layoff? Ms. Tanner replied, no, this is when someone terminates employment and then returns. If the period of layoff was known, this could be factored into the validations. Ms. Tanner reviewed the number of members affected. The Pension Office will be doing some preliminary data checks before the information is sent to Aon Hewitt. This should eliminate a lot of the data questions that Aon is asking.

Ms. Tanner will be setting up meetings with Aon Hewitt to discuss timelines. This will help Aon to be more proactive and give the employer a reasonable timeframe to respond to questions. In late December, Ms. Tanner will be providing some information to the employers on how to improve the process.

Ms. Hilchey asked who is training Aon Hewitt in the SAP Program? Ms. Tanner replied that Aon does not have access to SAP, which is not how they receive data. The Participating Employers supply the year end data to Aon.

Mr. Bone asked if these were recurring issues? Ms. Tanner replied, yes, and they seem to be getting worse.

Mr. Leslie asked what should the Committee do for future? Mr. B. Moore replied that the Committee’s role is to monitor. The CEO is expected to provide recommendations to the Committee. If this does not happen, the Committee would deal with this as part of CEO monitoring. Presently, this is an information item only.

7.2 Recommendation for DB SIPP

Ms. Troy referred to the latest DB SIPP contained in the Committee package. At the last Pension Committee meeting, the going concern discount rate was changed from 6.5% to 6.55%. This was updated in Section 3.4 of the DB SIPP.

Moved by Roxanne MacLaurin and Seconded by Mike Lawlor to accept the revised DB SIPP as presented. Motion Put and Passed.

7.3 Annual Approval of DC SIPP

Ms. Tanner referred to the latest DC SIPP contained in the Committee package. The Committee is required to review annually. Ms. Tanner has confirmed with Manulife that there have been no changes made to the DC SIPP.

Moved by Bill Moore and Seconded by Roxanne MacLaurin to approve the DC SIPP as presented. Motion Put and Passed.

7.4 Appointment of New Auditor for the 2015 Audit of the Pension Plan and Master Trust

Mr. de Montbrun reported that the Audit Subcommittee is recommending that Deloitte continue to be the external auditor for the 2015 audits of the Pension Plan and Master Trust. The audit fees have increased significantly from prior years. The Subcommittee has discussed this with Deloitte. Mr. Leonard is very satisfied with the Deloitte's work.

Moved by Louis de Montbrun and Seconded by Ray MacKenzie to approve the recommendation of the Audit Subcommittee to retain Deloitte as auditor for the HRM Pension Plan and Master Trust for 2015. Motion Put and Passed.

Mr. de Montbrun added that the Audit Subcommittee recommends the Pension Office go to tender for the 2016 audits.

Mr. Field asked if Deloitte's quote was high? Mr. de Montbrun replied that Mr. Leonard prepared a summary of audit fees over the last few years and their fee is within range.

Moved by Rick Dexter and Seconded by Britt Wilson that the Committee directs the Pension Office to go to tender for the 2016 audits of the HRM Pension Plan and Master Trust. Motion Put and Passed.

7.5 Audit Subcommittee – Review Terms of Reference Update

Mr. de Montbrun referred to the letter from KPMG contained in the Committee package. The Audit Subcommittee asked KPMG to review the mandate and terms of reference of the Audit Subcommittee. KPMG prepared a proposal for review. Mr. de Montbrun asked if this overlaps with the work that the Committee has asked Mr. Pink to undertake. Mr. D. White would like Mr. Pink to be aware that this additional study is being done. Mr. B. Wilson added that this is scope specific to the Audit Subcommittee but that Mr. Pink should be aware so that he does not look at this function. Mr. de Montbrun added that this would not preclude KPMG from being part of the audit tender.

The Committee asked Mr. de Montbrun to confirm with KPMG that the cost will be no more than $12,000 inclusive of HST and disbursements.

Moved by Britt Wilson and Seconded by Louis de Montbrun that the Audit Subcommittee proceed with the proposal submitted by KPMG. The cost to be no more than $12,000. Motion Put and Passed.

7.6 Code of Conduct

Mr. B. Wilson updated the Committee on behalf of John Traves. A presentation has been prepared for the Halifax Council agenda in December 2015.

7.7 Term of Dan White as Co-Chair expires December 31, 2015

Mr. B. Moore informed the Committee that the term of Dan White as Co-Chair expires on December 31, 2015. The Committee asked that Mr. D. White continue as Co-Chair. Mr. White accepted the nomination.

Moved by Ray MacKenzie and Seconded by Rick Dexter to appoint Dan White for another term as Co-Chair until December 31, 2016. Motion Put and Passed.

7.8 Other Public Safety Occupations who elected Rule of 75

Mr. D. White referred to background information contained in the Committee package. Approximately six firefighters and 10 police are paying more than half of their required service cost. An opportunity was provided to public safety officers prior to the present pension plan to change from the Rule of 80 to Rule of 75 if they paid the full cost of this upgrade. After amalgamation, this benefit was provided with the employer matching the increased contribution required.

Mr. D. White presented a motion effective January 1, 2016 all members of the group "Other Public Safety Occupations Who Elected Rule of 75" be brought into the main PSO group and have their pension contribution rate shared 50/50 with the employer.

Mr. B. Wilson commented that 16 members elected to do this. At the same time, employees from other plans were also making choices about what pension plan they were going to be in. Since then, some of these employees have experienced a significant loss. It would not be fair to change these decisions now.

Ms. MacLaurin asked if the remainder of the group that did not elect to go to the Rule of 75 and pay for it still have Rule of 80 and do not pay for it? If so, why not let this group go with the group that have Rule of 75? There does not seem to be a difference between the two groups. Mr. D. White added that most members realize that they will not be leaving at the Rule of 75. Mr. D. White also felt that this rule violates the funding policy.

Mr. Sampson added that those who already retired might expect a refund or some members might expect this to be retroactive. Mr. Sampson asked if this would require an amendment to the Plan Text that would change contributions and require agreement by all of the bargaining units and Council? The Committee agreed that since this is a change in benefits, an amendment would be required to the Plan Text.

Mr. D. White amended his motion to read: The Pension Committee recommends that effective June 1, 2016, the Plan Text be amended to allow all members of the group "Other Public Safety Occupations Who Elected Rule of 75" be brought into the main PSO group and have their pension contribution rate shared 50/50 with the employer."

Motion was not Seconded.
Motion Defeated.

8. OTHER BUSINESS

9. <u>DATE OF NEXT MEETING</u> – A date in January 2016 to be determined.

10. <u>ADJOURNMENT</u>

The meeting adjourned at 2:20 p.m.

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Dan White, Co-Chair