HALIFAX REGIONAL MUNICIPALITY
PENSION COMMITTEE MEETING
Thursday, September 24, 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
R. Scott MacDonald, HRPA
Ray MacKenzie, ATU
Bill Moore, Management, Co-Chair
Louis de Montbrun, Management
Mike Sampson, Management
John Traves, Management
Britt Wilson, Management
Dan White, IAFF, Co-Chair

ALTERNATES:
Jerry Blackwood, Management
Stephen Bussey, IAFF
Cameron Deacoff, NSUPE
Jack Dragatis, ATU
Nigel Field, Retiree *(acting for Mike Lawlor)*
Melanie Gerrior, NSUPE
Gordon Roussel, Management
Sherry Hilchey, NUMEA
Dwayne Hodgson, HRPA
Greg MacKay, NUMEA *(until 12:30 p.m.)*
Roxanne MacLaurin, Management
Ted Moore, IAFF
Peter Nixon, HRPA
Jordan Taylor, CUPE

STAFF:
Terri Troy, CEO
Donna Bayers, Executive Assistant
Angela White, Manager, Pension Services
Matt Leonard, Manager, Finance & Operations
Alex Longmire, Manager, Pension Investments
Abbie Sui, Senior Investment Associate *(after lunch)*
Lisa Tanner, Manager, Plan Member Services

OTHERS: Margaret Barry, Halifax Regional Library
Anne Patterson, Halifax Regional School Board
Cheryl Little, Halifax Water *(for Cathie O'Toole)*
Don Ireland, Actuary, Aon Hewitt
Tassos Stassopoulos, Senior Vice President – Portfolio Manager – Emerging Consumer, Global Growth & Thematic, AllianceBernstein
Arti Sharma, President & CEO, Northern Trust Company, Canada
George Trapp, Senior Vice President – Securities Lending Program, Northern Trust Company
Scott Kelly, Assistant General Counsel, Northern Trust Company, Canada
Matt Schenk, Vice President - Client Services, Northern Trust Company, Canada

OBSERVERS: John Hanrahan, NSUPE Local 2 Vice President
Claudia MacFarlane, NSUPE Local 14 President

1. CALL TO ORDER

The meeting was called to order at 9:10 a.m. by the Co-Chair, Mr. Bill Moore. Ms. Troy introduced Ms. Lisa Tanner. Lisa will be the new Manager, Plan Member Services for the HRM Pension Office. The Committee also introduced Mr. Cameron Deacoff, new alternate representative for NSUPE Local 13 as well as observers, Mr. John Hanrahan, NSUPE Local 2 Vice President and Ms. Claudia MacFarlane, NSUPE Local 14 President. An In Camera meeting will be held at the end of this meeting.

2. APPROVAL OF THE AGENDA, ADDITIONS, AND DELETIONS

Mr. Roussel asked for the addition of "Reciprocal Transfer Agreement Deadlines" to be added to the agenda. This was added as Item No. 6.11.

Moved by Rick Dexter and Seconded by Mike Sampson to approve the agenda as amended. Motion Put and Passed.

3. APPROVAL OF MINUTES – July 15, 2015

Mr. de Montbrun referred to Page 5, 3rd paragraph from the bottom and suggested that the word "to" should be changed to "by" in the first sentence.

Moved by R. Scott MacDonald and Seconded by Louis de Montbrun to approve the July 15, 2015 minutes as amended. Motion Put and Passed.

4. Q2 Executive Summary

A copy of the Q2 CEO Update was distributed in the Pension Committee meeting package. Ms. Troy provided a brief overview of the recent market volatility and updated investment performance since the package was distributed two weeks ago. The updated version will be distributed via email after the meeting.

Ms. Troy reported that the estimated year to date return is 6.2% (as at September 22, 2015). Mr. B. Wilson expressed concern that we are not making our assumption. Mr. D. White disagreed as there is still three months left in the year. Ms. Troy added that we only need to earn a minimum of 3.2% in order to earn a 5-year annualized target return of 6.5% assumed in the actuarial valuation since returns in the previous 4 years have exceeded the 6.5% annualized return target.

Ms. Troy reinforced the Plan's defensive investment position and illustrated the volatility associated with public equities. The Plan is unable to tolerate a high percentage in public equities due to the volatility inherent in equity returns, especially since an annual actuarial valuation is required to be filed.

Ms. Troy reported that cost savings associated with the Plan's current investment strategy is approximately $6 million per year due to reductions in annual investment management fees negotiated with the investment managers. In addition, one-time fee savings of approximately $70 million have been identified. Mr. Louis de MontBrun asked Ms. Troy to provide an example of the reduced fees. Ms. Troy responded that in return for seeding a mandate, the investment manager may provide the investor with lower fees. Ms. Troy provided an example of an investment manager not charging the Plan any annual investment fees now or in the future in return for being the first investor in the Fund. Examples of one-time fee savings include reduced performance fees due at the end of a Fund's life (sometimes zero performance fees have been negotiated) and reduced legal fees by sharing legal costs with other institutional investors.

5. GOVERNANCE REVIEW

5.1 Committee Self-Monitoring STANDING ITEM (Committee)

- Process
- Performance

Mr. B. Wilson expressed his concern that perhaps the Committee has not educated the stakeholders properly on plan sustainability. Although the Committee had recommended benefit reductions to offset contribution increases and to build additional margin into the Plan's funded status, two of the unions voted against benefit reductions. A third union reported that their membership would have likely voted against benefit reductions as well. Mr. Wilson suggested that the Committee should look at its process of communicating to stakeholders.

Ms. Hilchey added that members should be better educated on the issues facing the plan prior to being asked to vote. We need to make sure that all employees get involved, not just some. Employees' were very upset when they recently found out that HRM is implementing a SERP for HRM senior management at a time when they want benefit reductions in the pension plan. The timing for that was not good.

Mr. D. White reported that the two special meetings held with IAFF in August had very low attendance due to summer vacations. He suggested that in the future there be an electronic online vote so that everyone can participate in a vote.

Mr. T. Moore asked if there is a way to get the valuation data from Aon in February or March? It would be better if decisions could be made before the summer.

Ms. Troy replied that annual member data is typically received by the actuarial firm from employers by March 31st. The Pension Office will get involved in the process to assist employers provide clean data to the actuarial firm in a timely manner so that the actuary is comfortable with the data.

Mr. Bone felt that Pension Committee representatives should have been provided with more information to inform their union members.

Mr. B. Moore responded that it is the Pension Committee's responsibility to provide the information. Support is available if requested. He suggested that perhaps the Committee as a whole should provide the message to all stakeholders.

Ms. Gerrior asked if there were plans to still hold a special meeting regarding governance?

Mr. B. Moore reported that he and Dan White met with Ron Pink of Pink Larkin on September 3, 2015. Discussions centered on doing a broad review of the Committee's governance in relation to sustainability of the Plan and how we compare with other pension plans in Canada. The Co-Chairs recommended that Mr. Pink proceed with this review and report back to the Committee. The Co-Chairs will discuss this item in more detail later in the meeting since it will be addressed in Agenda Item 6.7.

Mr. Dexter reported that ATU did not vote on the benefit reductions since two union votes were against the recommendations. ATU members felt that the contribution increase was small in comparison to giving up benefits.

Mr. MacKenzie felt that ATU members were given a very thorough presentation. New members were fine with the contribution increase.

Mr. Hanrahan, NSUPE Local 2 Vice President, Observer, commented that he felt his members, although they do not have a vote, would have been supportive of a small increase in contributions.

Mr. Traves commented that because of the governance structure of this Committee, it is very hard to come to a consensus and expecting one individual to convince a much broader group may be asking too much.

Mr. B. Wilson suggested preparing and communicating with the membership now in preparation for next year.

Ms. MacLaurin added that there needs to be consistency in presentations to stakeholders and ensure that they are aware of the risks and consequences of their decisions.

Mr. Bone noted that he will look into a communication training course for discussion at the next Training and Education Subcommittee meeting.

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

(a) Global Governance-Management Connection (enclosure)
(b) Unity of Control (enclosure)
(c) Accountability of the CEO (enclosure)

5.3 Governance Policy Review – Executive Limitations – Monitoring Reports

(a) Financial Condition and Activities (enclosure)
(b) Service Providers (enclosure)
(c) Investment (enclosure)
(d) Communication and Support to the Committee (enclosure)

Items 5.2 and 5.3 were deferred to the next Pension Committee meeting on November 19th.

6. <u>BUSINESS ARISING FROM THE MINUTES</u>

6.1 Recommended Benefit Reductions - Results

Mr. R. Scott MacDonald distributed two communications from the Pension Committee from 2002 and 2003 which were sent to plan members the first time the Committee was confronted with a funding shortfall at the end of 2002. He provided a history of contribution rate increases and changes to benefits since that time. He concluded that there has been a 93.8% increase in contribution rates since the Plan was created in 1998 after amalgamation.

Mr. MacDonald felt it would be irresponsible in light of this history to not implement benefit reductions to address the 2014 shortfall. He is very concerned and disappointed that for the first time since plan inception, members from a sponsoring group are not endorsing the Committee's recommendations. He noted that the benefit reduction recommendations had been decided upon unanimously by the Committee after considerable analysis and he asked if the sponsoring groups not endorsing the recommendations could revisit their decisions before year-end.

The following was the result of the voting on the recommended benefit reductions:

- NSUPE Local 13 – Yes
- IAFF – No
- HRPA – Yes
- ATU – Did not vote
- Halifax Council – Yes
- CUPE – No

As a result, the Committee discussed whether the discount rate should stay at 6.5% or move to 6.55% which was part of the original motion with the three benefit reductions.

Mr. B. Moore referred to the Motion made by Rick Dexter on Page 7 of the July 15, 2015 minutes which stated:

Moved by Rick Dexter and Seconded by Dan White to change from a 6.5% discount rate to a 6.55% discount rate for the December 31, 2014 valuation and move forward with the three benefit reductions for January 1, 2016. Motion Put and Passed.

Mr. D. White suggested going forward with the 6.55% discount rate as this would mean no contribution rate increases for 2015.

Mr. B. Wilson added that the Committee has the authority to set the discount rate.

Moved by Britt Wilson and Seconded by Mike Sampson that in light of the sponsors not agreeing to the reduction in benefit levels, that the discount rate return to 6.5%.

Mr. Don Ireland added that the 6.55% discount rate can easily maintain the current contribution rate in 2015. The valuation report could say that the minimum contribution requirement based on the 6.55% discount rate is 23.9% for 2015. The Committee could approve a 6.55% discount rate recognizing an additional 0.5% increase in contributions effective January 1, 2016.

Mr. B. Wilson added that the Plan Text states that a change in the contribution rate above the minimum must be ratified by each of the union groups.

Ms. A. White also added that in the communication to plan members, it was stated that the increase was planned to take place on January 1, 2016 subject to approval by the Superintendent of Pensions of a 12 month delay in the contribution rate increase, which seems very unlikely. This would mean retroactively collecting contributions from members for 2015. At the special Committee meeting in June, it was discussed that the potential benefit rate reductions or contribution rate increase would be effective January 1, 2016. At the next special Committee meeting in July, the plan's actuary confirmed these changes are coming into effect as a result of the December 31, 2014 valuation; therefore, the change needs to impact the cost of benefits in 2015.

Ms. A. White added that in the past, the Committee had received approval for a 12-month delay in the contribution rate increase and the unfunded liability was amortized over 14 years instead of 15 years. The legislation has changed since then and we have heard from other pension plans that the Superintendent would not allow a contribution rate increase to be delayed. Mr. Ireland confirmed that this is correct.

Mr. B. Wilson asked if the discount rate is set at 6.55%, does this generate a requirement for an increase in contributions of 0.25% from each side in 2016? Mr. Traves referred to Section 4.03 of the Plan Text:

Increase in Contributions

If, on the advice of the Actuary, the contributions described in Section 4.01(1) are not sufficient to provide the minimum funding, as required by the Pension Benefits Act, of the benefits accruing in the Plan Year and any unfunded actuarial liability or solvency deficiency that may exist, then the Municipality/Participating Employer's and the Members' Required Contributions shall be increased in equal amounts (expressed as a percentage of Member Earnings) so that the contributions are sufficient to provide the minimum funding required, subject to acceptability under the Income Tax Act. Contributions shall remain within the limited of Regulations 8503(4)(a) or (5) of the Income Tax Act, applicable.

Mr. Ireland referred to Section 6.09 of the Plan Text:

Actuarial Assumptions

With respect to advice obtained from the Plan's actuary, the Committee shall maintain the discretion to interpret the Actuary's recommendations respecting actuarial assumptions for the Plan. Additionally, the Committee shall, by majority agreement of the Committee Members, decide the actions to be taken with respect to contribution changes which may result from any change in actuarial assumptions for the Plan based on the Actuary's advice. Notwithstanding sections 4.03 and 4.04, should the Committee decide that a change in contributions is necessary, the Committee shall give to the affected Member groups and to the

Municipality/Participating Employer written notice of such change in contributions at least 180 days prior to the scheduled change (for the purposes of this Section 6.09, the "Notice Period").

Mr. B. Wilson withdrew his previous motion.

Mr. Ireland stated that the valuation is currently at 6.55%. The recommendation is that the minimum to be contributed is the current contribution rate for 2015. Since the Committee acknowledges that the margin is thin, he suggested the Committee approve a 0.5% increase in contribution rates affective January 1, 2016.

Moved by R. Scott MacDonald and Seconded by Rick Dexter that on the advice of the actuary a 6.55% discount rate be used for the December 31, 2014 valuation and that in order to build upon the resulting thin margin, contribution rates be increased by 0.25% for both employees and employers effective January 1, 2016 which will be reflected in subsequent valuations. Motion Put and Passed.

6.2 Strategic Plan to increase funding margin

Mr. Don Ireland referred to his presentation distributed in the Committee package on Margin Policy and provided some background from the July 15, 2015 meeting where the Committee expressed an interest in developing a more disciplined strategy to increase the margin level and hence funding capacity over time. A broad-based target of "10% margin within 15 years" was suggested as a starting point. His presentation included a simplified projection of the Plan's funded position until 2030 and the additional margin that could be supported by various contribution rate scenarios.

The current approach to setting the Plan's margin is to reduce the discount rate. Some plans are beginning to use an explicit margin approach with the ability to set separate margin levels for liabilities and current service costs. Mr. Ireland sees this as a more transparent and convenient approach.

Mr. Ireland reviewed various funding scenarios assuming that the proposed benefit changes are not implemented and there is no further contribution rate increase at January 1, 2016.

Mr. Field asked if a 10% margin was a good figure?

Mr. Ireland replied that it is a target that is not excessive but in plans he works with, the target margin is 10% with plans to build higher. For the pension regulators that would like to mandate minimum margins, it is higher than 10%.

Mr. Traves asked if our regulator would be moving toward an explicit margin approach? Mr. Ireland replied there is a lot of discussion regarding this, especially in Quebec where legislation is in place. These are mostly private sector plans. There have been no consultations by the Nova Scotia regulator to date.

Mr. Ireland also provided an additional presentation at the meeting on Sample Margin Policies. This presentation was not included in the Committee package but will be distributed by e-mail after the meeting.

He reviewed the key components of the margin policy:

- Target margin level for each year that is applied to both current service cost and past service liabilities expressed as a percentage of best estimate.
- The minimum margin level that is defined separate for the current service cost and the past service liabilities.
- The future contribution rate increases (or future service benefit reductions) that are expected to be sufficient to meet the target margins.

This item will be actioned at the next Pension Committee meeting on November 19th.

6.3 Funding Policy
Deferred to next meeting.

6.4 Commuted Value Payouts
Mr. Ireland presented on Portability on Retirement. A copy of the presentation is contained in the Pension Committee package. Currently, when a member terminates or retires prior to normal retirement age (i.e. age 65 for Non-PSO and age 60 for PSO), the Plan extends an option to receive a lump sum settlement in lieu of a deferred or immediate pension. Mr. Ireland identified the potential funding risk this introduces to the Plan if the lump sum settlement values exceed funded reserves. The new prescribed mortality table assumption that is to be used to calculate lump sum settlement values will further increase this funding risk.

Mr. Field asked does it matter how you leave your employment in order to receive this option? Mr. Ireland replied that the Nova Scotia Pension Benefits Act stipulates that a plan does not need to extend a lump sum option to members who are eligible to commence an immediate pension from the plan. This option must be provided to terminated employees who are not eligible to start a pension.

Mr. Field asked Ms. A. White what is the percentage of members that take a commuted value on retirement? Ms. A. White replied that approximately 10 of the 158 members who retired between January to August 2015 elected the commuted value option. This is approximately 6%. This percentage changes from year to year.

Mr. T. Moore asked if we should wait until long term interest rates go up to take away the commuted value option? Mr. Ireland replied, there would then be no need to take away this option.

Ms. MacLaurin asked what are the factors for people wanting to take the commuted value option? Mr. Ireland replied, it sometimes depends on the amount of the lump sum payment. Some people think they can earn more outside the Plan but there is the risk that they live longer than expected. It depends on the individual and their circumstances. Often there are financial advisors working behind the scenes.

Mr. Sampson asked Ms. A. White if, in her experience, do members also take the commuted value because there is cash available? Ms. A. White replied, yes, since there is only a certain amount of the commuted value that can be tax sheltered under the Income Tax Act.

Mr. B. Moore asked Ms. A. White if we have seen an increase in commuted value payments over the past five years? Ms. A. White replied she does not have the data going back that far.

Ms. Little asked if the amount of the commuted value is told to a member at retirement or do they have to ask? Ms. A. White replied that all members with this option are informed they may take the lump sum. If they are interested in this option, the amount is calculated and provided to members along with more detailed information and forms.

Mr. B. Moore asked the Pension Office to provide additional information on the commuted value option at retirement, such as the election history over the last five years and average commuted value amount, and bring it back to the Committee.

Mr. R. Scott MacDonald asked where in the Plan Text is the commuted value option described? Ms. A. White replied, Section A5.04.

Mr. Sampson asked if the portability option was considered a benefit change or an administrative practice? Mr. Ireland replied that he would check on this but he believed it is not considered a benefit change.

Mr. Sampson asked that Ms. Bayers review previous minutes to see why the Committee decided to continue with the commuted value option for retirement eligible members.

6.5 Reports on Service Standards Q2 2015

A copy of this report was distributed in the Pension Committee package. The Committee had no comments or questions.

6.6 Update – Pensioner Audit Results

A copy of this report was distributed in the Pension Committee package. The Committee had no comments or questions.

6.7 Governance update/meeting with Ron Pink

Further to the Co-Chair's recommendation above in 5.1, and the motion made by Mr. John Traves at the June 18, 2015 meeting, Mr. R. Scott MacDonald asked that the motion be amended allowing the governance review to be expanded in scope in an effort to clarify any speculation about how the HRM Plan really compares to other plans and if, in fact, there are long-term funding/sustainability issues to be resolved.

Motion:

BE IT RESOLVED that the Resolution passed on the 18th day of June 2015 by the Halifax Regional Municipality Pension Committee regarding the "full governance review to be initiated with the assistance of Mr. Ron Pink" (hereinafter referred to as "the Study") be amended as follows:

1. That the Study to be conducted by Mr. Pink be expanded to include a financial sustainability review of the HRM Pension Plan into the foreseeable future.
2. That Mr. Pink be authorized to retain an actuarial consultant to assist in reviewing the financial sustainability of the HRM Pension Plan and to assist in providing guidance and advice with respect to the future financial stability of the HRM Pension Plan.
3. That Mr. Pink and his actuarial consultant be authorized to do the study which would best inform the Members of HRM Pension Committee as to the position of the HRM Pension Plan in the pension landscape within Nova Scotia, Atlantic Canada and the rest of Canada.
4. That Mr. Pink report back to the HRM Pension Plan Committee by the 30th day of June 2016 and more frequently as determined by any sub-committee appointed to assist in the review in this matter.
5. That all Members of the HRM Pension Plan Committee and all employees of the Pension Committee shall assist wherever possible in the information to be collected by Mr. Pink and his actuarial consultant.
6. And that Mr. Pink is specifically authorized to meet with individual Members of the HRM Pension Committee or with groups of Members of the HRM Pension Committee as well as with staff to seek their advice and input into the study and any conclusions to be developed and recommended.

Moved by R. Scott MacDonald and Seconded by Nigel Field that the motion for a full governance review made by John Traves at the June 18, 2015 meeting be amended as submitted above. Motion Put and Passed.

Mr. Traves agreed to this amendment.

Mr. Bussey asked what would be the cost for this review? Mr. B. Moore replied that the Co-Chairs had not asked for a costing but that this will be brought back to the Committee.

Mr. de Montbrun asked if there was a reporting structure for Mr. Pink on this project? Do we actually need more actuarial information or can we use the information we already have? Mr. B. Moore replied that there has been no direct discussion on reporting structure of this project. He will have that discussion with Mr. Pink and bring this back to the Committee.

Mr. Cameron Deacoff asked how will the Committee make decisions on the results of this project? Mr. B. Moore replied that this should be addressed within the confines of the report provided by Mr. Pink.

Mr. Dexter suggested that a subcommittee of the voting members be established to meet every two months to discuss the progress of the project.

Ms. MacLaurin suggested that the Committee should hire an actuary and then instruct Mr. Pink on what the Committee would like from this information. Mr. B. Moore replied that this would require an RFP which would add months to the project.

Mr. Bone would like to see further discussion on scoping this project and he also asked if the Committee usually sole sources for larger studies? Mr. B. Moore replied that Mr. Pink is already the Plan's legal counsel and has worked with the Committee for a long time. He suggested that pricing, structure and reporting structure should be part of the agreement with Mr. Pink. Mr. Pink should present his findings to the Committee.

Moved by Rick Dexter and Seconded by Ray MacKenzie that a subcommittee of the voting members be established to meet every two months to discuss the progress of the project.

The Committee decided that since this is already part of the amended motion, stated in No. 4, there was no need for a new motion. Motion was defeated.

It was decided to add this as a standing item on the Committee meeting agenda and that the co-chairs would provide an update at each Committee meeting.

6.8 Committee Education and Training Budget

A copy of this report was distributed in the Pension Committee package. The Committee had no comments or questions.

6.9 Training Report

- ATMS & FTMS – July 2015 (enclosure)
- ACPM – September 2015
- CAIP Quebec – September 2015

Reports for ATMS & FTMS were distributed in the Pension Committee package. The Committee had no comments or questions.

Further updates will be provided for ACPM and CAIP Quebec at the next meeting.

6.10 HRM Out of Province Approval form

Further to discussion at the June 18, 2015 meeting, the Committee asked that the form be revised to remove the need to include financial information. Mr. B. Moore revised the form and met with the Halifax CAO. The CAO agreed to the changes.

Moved by John Traves and Seconded by Rick Dexter to approve the updated form as presented. Motion Put and Passed.

The form will be available on the HRM Pension Plan website in the training section.

6.11 Reciprocal Transfer Agreement Deadlines

Mr. Roussel provided background on a former plan member who left the HRM Pension Plan in 2007. They worked in private industry for some time and now have joined the Nova Scotia Public Service Superannuation Plan. Upon leaving the HRM Pension Plan, they elected a deferred pension. A request has been made for their HRM Pension Plan service to be transferred to the Superannuation Plan under the Reciprocal Transfer Agreement. The former plan member made a request to transfer their HRM Pension Plan service 18 months after starting employment with the Province. The member was informed there was a 12 month deadline to apply for the reciprocal transfer; therefore, they were not eligible. The former member indicated they were unaware of the deadline and if they are not allowed to transfer their HRM service to the Province, it will have an impact on their eligibility to retire. Mr. Roussel asked if the Committee would make an exception in this case?

Mr. Sampson asked if the time period is one year from the date of termination or one year from ceasing to be a member in the exporting plan? Ms. A. White replied, neither. It is one year of taking employment with the importing plan.

Mr. Traves asked if the Reciprocal Transfer Agreement is a common agreement across the industry? Ms. A. White replied that the Agreement in this case is the Nova Scotia Multilateral Agreement for Defined Benefit Plans. There are approximately 20 parties to this agreement.

Mr. B. Moore asked the Pension Office to provide more background and confirmation of whether the policy could be changed and bring this back to the Committee.

Mr. Roussel added that the Public Service Superannuation Plan will accept the transfer.

7. NEW BUSINESS

7.1 Education Session

Ms. Troy introduced Mr. Tassos Stassopoulos, Senior Vice President - Portfolio Manager – Emerging Consumer, Global Growth & Thematic at AllianceBernstein. Mr. Stassopoulos presented to the Committee on Emerging Markets. A copy of the presentation was distributed in the Pension Committee package.

7.2 Recommendation for SIPP Change

A copy of the presentation on the recommended change to the SIPP is contained in the Pension Committee package. Mr. Longmire reviewed Section 4.3 (g) of the SIPP which says that investments may be made in private equity up to 10% of the fund's market value at the time of the investment.

It is recommended that this restriction be removed from the SIPP to allow an increase in private equity above 10% opportunistically when a compelling opportunity is presented. There is no recommendation to change the overall Minimum Target Return allocation range, where private equity is included.

Mr. de Montbrun asked how much more risk is this to the Pension Plan? Mr. Longmire replied that the risk is higher than other Minimum Target Return investments but this is based on industry assumptions as a whole. Risk is reviewed on a deal by deal basis and cannot be accurately captured in a quantifiable context.

Mr. Bussey asked what is the current allocation for private equity? Mr. Longmire replied 7.4%.

Mr. B. Wilson and and Mr. Traves agreed there should be a limit on private equity.

Mr. R. Scott MacDonald suggested changing the limit to 15%.

Moved by R. Scott MacDonald and Seconded by Ray MacKenzie to change the investment upper limit of the Master Trust from 10% in Private Equity to 15%. Motion Put and Passed.

7.3 Appointment of New ASC Member

Ms. Gerrior is no longer an acting voting member on the Pension Committee and therefore can no longer sit on the Audit Subcommittee as a voting member. The Committee asked for nominations. Currently, the existing members are Louis de Montbrun, Jerry Blackwood, Gordon Roussel and Mike Sampson. Rick Dexter expressed interest in this position.

Moved by R. Scott MacDonald and Seconded by John Traves to appoint Rick Dexter as the new member of the Audit Subcommittee. Motion Put and Passed.

7.4 Appointment of New NSUPE Alternate – Cameron Deacoff

Reported in Agenda Item No. 1. Call to Order.

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

A decision is not required until the November meeting. Mr. D. White expressed interest in continuing in this position.

7.6 Code of Conduct

Mr. Traves has prepared a draft recommendation to Council. He hopes to present this at the next Council meeting and report back to the Committee.

7.7 Education Session

Ms. Troy introduced Arti Sharma, President & CEO, Northern Trust Company, Canada, Trustee/Custodian of the HRM Pension Plan and her team - George Trapp, Senior Vice President – Securities Lending Program, Scott Kelly, Assistant General Counsel and Matt Schenk, Vice President - Client Services. A custodian overview was provided including legal structure, securities lending and unitization. A copy of the presentation was distributed at the meeting.

8. OTHER BUSINESS

9. <u>DATE OF NEXT MEETING –</u> November 19, 2015

10. <u>ADJOURNMENT</u>

Moved by Ray MacKenzie to adjourn the meeting at 3:35 p.m.

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Bill Moore, Co-Chair