HALIFAX REGIONAL MUNICIPALITY
PENSION COMMITTEE MEETING
Thursday, January 28, 2016
Dartmouth Sportsplex, 110 Wyse Road
Dartmouth, NS
9:00 a.m. – 3:00 p.m.

MEMBERS: Andrew Bone, NSUPE
Rick Dexter, NUMEA
Sheldon Harper, CUPE
Mike Lawlor, Retiree
R. Scott MacDonald, HRPA
Bill Moore, Management, Co-Chair
Louis de Montbrun, Management
John Traves, Management *(9:50 a.m.)*
Amanda Whitewood, Management
Britt Wilson, Management
Dan White, IAFF, Co-Chair

ALTERNATES: Stephen Bussey, IAFF
Cameron Deacoff, NSUPE
Jack Dragatis, ATU *(acting for Ray MacKenzie)*
Nigel Field, Retiree
Melanie Gerrior, NSUPE
Sherry Hilchey, NUMEA
Brian Leslie, Retiree
Greg MacKay, NUMEA
Ted Moore, IAFF
Peter Nixon, HRPA
Gordon Roussel, Management
Mike Sampson, Management
Dwayne Tattrie, CUPE
Jordan Taylor, CUPE

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

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

REGRETS: Ray MacKenzie, ATU

OBSERVERS: Claudia MacFarlane, President, NSUPE Local 14 (Halifax Public Library) and Vice President, NSUPE
John Hanrahan, NSUPE, Local 2 Vice-President
Jason Snow, HRPA

1. CALL TO ORDER

The meeting was called to order at 9:05 a.m. by the Co-Chair, Mr. Bill Moore. Mr. Moore introduced Ms. Amanda Whitewood, CFO, HRM as a new management voting representative and Mr. Dwayne Tattrie returning Alternate for CUPE 108. Mr. Dwayne Tattrie is replacing Mr. Mike Young who has recently resigned from the Committee. The Committee gave introductions for the new members.

2. APPROVAL OF THE AGENDA, ADDITIONS, AND DELETIONS

Moved by Cameron Deacoff and Seconded by Rick Dexter to approve the agenda as presented. Motion Put and Passed.

3. APPROVAL OF MINUTES – November 19, 2015

Moved by R. Scott MacDonald and Seconded by Mike Lawlor to approve the November 19, 2015 minutes as presented. Motion Put and Passed.

4. CEO Update

Ms. Troy provided a brief overview of the Q4 CEO Update which was distributed in the Pension Committee meeting package including an update of the pension administration RFP and staff updates.

The preliminary year to date return for the Master Trust for 2015 was 10.0%. The 10.0% return represents approximately $150 million in additional funds to the Plan net of all fees and expenses An estimated excess return of 3.45% was achieved over the long-term rate of return assumption (going concern discount rate) of 6.55%. An estimated excess return of 6.7% was achieved over the minimum return of 3.3% that was required in 2015 to mitigate the risk of future contribution rate increases and/or benefit reductions assuming no significant changes to liabilities. A -4% return is estimated to be required in 2016 to minimize contribution rates and/or benefit reductions in 2017. The minimum return required in 2016 is negative because strong returns in the previous four years have contributed to the Plan's asset smoothing reserve.

Mr. D. White asked if there was any information on preliminary returns for other plans across Canada for 2015. Ms. Troy replied that a typical return for some plans would be 5%.

Ms. Troy reviewed the estimated impact of three key investment risks on the Master Trust: a 10% decline in global equities, the strengthening of the Canadian dollar against the US dollar, and an increase in US interest rates by .50%.

Ms. Troy referred to a previous question at the last meeting from Mr. Bussey asking if there should be more private investments. The following information was provided:

The yield for Canadian Universe Bonds and Canadian Corporate Bonds is 2.0% and 2.7% respectively. This makes it difficult for the portfolio to earn 6.55%. Many pension plans are investing in infrastructure, private debt and real estate because they continue to show attractive yield opportunities. Return estimates for infrastructure, private debt, and real estate are 6-8%, 5-10%, and 4-6% respectively.

Co-investments continue to show an attractive added value opportunity. The Master Trust private investment co-investments in aggregate have outperformed the total private investment portfolio by 1.56% annualized (18.27% versus 16.71%) since inception. The private equity co-investments have outperformed the private equity funds by 5.35% annualized (32.67% versus 27.32%) since inception.

Ms. Troy reviewed an updated asset mix analysis. A 30% equity, 10% fixed income and 60% alternatives allocation gives the greatest probability of exceeding both the 6.55% going concern discount rate and the -4% minimum required return on a risk-adjusted basis. A higher allocation to privates would minimize the short term volatility that would be experienced with a high allocation to public equities. Given the analysis, the new asset class ranges would be Equities – 25-60%, Fixed Income – 15-50% and Minimum Targeted Return – 20-60%.

Ms. Troy reviewed the state of oil prices as of January 2016. A 10% decrease in the price of oil would result in a -0.25% decline in returns for the Master Trust assuming all other factors remained constant.

Mr. Roussel commented that when there is a decrease in oil prices, the Canadian dollar also tends to fall. Does this information take that into consideration? If the Canadian dollar dropped a corresponding amount, would there be some offset? Ms. Troy replied that if the Canadian dollar goes down and we remain unhedged, the offset would be +2.0%. In other words, the Master Trust would benefit from a further weakening of the Canadian dollar.

5. BUSINESS ARISING FROM THE MINUTES

5.1 Review of Margin Policy

Mr. Don Ireland, Actuary, Aon Hewitt provided a presentation to the Committee which was distributed with the Pension Committee meeting package. Mr. Ireland had also presented at the September 24, 2015 Pension Committee meeting relating to margin policy. At that meeting, the Committee recognized the need to build further funding capacity to support benefit security and contribution rate stability. Currently, there is limited flexibility to address small experience losses which need to be addressed on an annual basis. A broad-based target of 10% margin within 15 years was suggested as a starting point.

Mr. Ireland reviewed Scenarios 1, 2, 3, 4 and 5 of the September 24, 2015 presentation.

Mr. Field asked why in Scenario 2 does the margin increase with the unfunded liability? Mr. Ireland replied there are more contributions available to fund a bigger deficit. The liabilities are increased to justify the increased contribution.

Mr. Wilson asked if this would be accomplished by changing the assumption on the liabilities? Mr. Ireland replied, yes.

Mr. Bussey asked what these numbers are based on? Mr. Ireland replied, they are based on the December 31, 2014 assumptions.

Ms. Troy asked what was the best estimate assumption? Mr. Ireland replied, 6.75%.

Mr. Bone commented that these are scheduled options but if we exceed our goals each year, this would also have an effect on how we get there. Mr. Ireland replied that this is just a plan to show how quickly a target can be achieved without increasing contributions and having the ability at some point to roll over the amortization schedules.

Mr. Sampson asked if based on the 10% return for 2015 would there be any way of knowing what effect 2015 had before knowing the full liability situation? Mr. Ireland replied that the 10% was market value return. This would be approximately an 8.1% smoothed return or the equivalent of a $20 million experience gain.

Mr. de Montbrun asked at what point in the graphs do we stop reporting every year? Mr. Ireland replied that the regulations say you have to report every year if your solvency ratio is below 85%. For planning purposes, annual valuations should be assumed.

Mr. Ireland added that even if annual valuations were not required, it would not remove the need to have more margin than what the Plan already has.

Mr. Roussel referred to Scenario 3 and asked if there was a target of 10% for margin leaving the contribution rate as is, what would be the impact on the unfunded liability? Mr. Ireland replied 95% funded.

Ms. Troy referred to the 10% margin and asked what is the dollar equivalent and how much margin in dollars does the Plan have now? Mr. Ireland replied the current margin of 2.5% is approximately $40 million. A 10% margin would be $150 million.

Mr. Wilson commented that the idea of building margin is to protect against adverse deviation. Should we be doing something now to create margin before the roll over is activated? Mr. Ireland replied that the question is when does it become unaffordable? Mr. Wilson stressed that it is a fiduciary duty to protect the benefits that we have.

Mr. Ireland reviewed a sample concept for a margin policy and the key issues to be addressed.

Mr. Ireland reviewed Sample Margin Policy A and B.

Mr. Field stressed that the reason to have margin is to use it when needed.

Mr. Wilson referred to Sample Margin Policy A and commented that in this scenario, the margin would be used to keep contribution rates more predictable.

Mr. Dexter asked if there was a margin number to be at so that contribution rates do not have to be increased? Mr. Ireland replied that this is just an illustration of a possible path.

Mr. Wilson asked if the same margin can be attained by decreasing benefits? Mr. Ireland replied, yes.

Mr. B. Moore referred to the 1% contribution rate increase by 2017 in Sample B. He asked what would be the investment return on this? Mr. Ireland replied $3.5 million per year.

Ms. Troy referred back to Mr. Bussey's comment regarding investing more in private bonds as opposed to corporate bonds since the additional yield by doing this would be an additional 2% on these investments.

Mr. Bussey asked if the additional $20 million earned in 2015 was put into the margin, would this make the 1% contribution rate increase in 2017 disappear? Mr. Ireland replied, yes, if the $20 million does not get offset by other things.

Mr. Sampson asked whether the discount rate could be set to 6.8% rather than 6.5%? Mr. Ireland replied that a more aggressive asset mix strategy would be needed to justify a 6.8% return.

Mr. Bone asked if this would happen by switching to more private investments? Mr. Ireland replied that this is a possibility. He added that the regulator may not accept a 6.8% discount rate.

Mr. de Montbrun referred to illustration A.4 and asked what is the unfunded liability? Mr. Ireland replied, 97.5% funded ratio with a 10% margin.

Mr. D. White asked if a 10% margin was $150 million? Mr. Ireland replied, yes, or 10% of the best estimate liabilities.

Mr. T. Moore asked if there was a margin funding policy? Mr. Ireland replied that margin would need to be documented in the funding policy. Mr. T. Moore asked if we had a 10% margin, when would we use it and how much? Mr. Ireland replied that there needs to be a range. It could be as low as 5% or as high as 20% in any given year.

Mr. Bussey commented that the amount of excess funds could be seen as unnecessary at some point.

Mr. Wilson added that the concept of a margin is to give the Committee the opportunity to make more proactive decisions. We should not rely on excess returns to gain more margin.

Mr. R. Scott MacDonald asked what were the margin numbers for the past two years? Mr. Ireland replied between 2% and 5%. Mr. MacDonald added that even though 2015 was a good year, the previous year's return was 9.3%, however, liabilities were higher than expected.

Mr. Bone asked about next steps? Mr. Ireland referred back to slide 6 and the issues to be addressed.

Mr. B. Moore stressed that the Committee needs to discuss the principles before any decisions are made. He referred back to the results of the membership survey. Mr. Field does not want to see Committee decisions based on a membership survey.

Mr. Wilson added that the idea of a member survey and how the membership wants to pay for margin is a relevant question. It is the fiduciary responsibility of the Committee to inform the membership about the real cost of the benefit and future sustainability of the Plan.

Mr. Dexter feels the margin policy should not be written in stone but should provide options. Mr. Ireland added that once you have a 0% margin, there is no choice any longer.

Mr. Traves referred to the member survey and added that a consensus should be reached by the group. He would hope that members would expect the Committee to take the advice of the actuary that the margin is very thin and create a margin policy. Once the target margin is reached, the Committee would have a policy that gives flexibility of how to use it. It is important to not lose sight that the Committee is responsible for the risk if they do not take professional advice.

Mr. Traves spoke on the employer's behalf on the member survey. A member survey is not reflective of the fact that 50% of the cost is the employers.

Mr. Deacoff suggested that the Committee confirm that they want a margin policy and what elements need to be in the policy. Once this is decided, the details of how to get there can be addressed.

Ms. Troy would like clarification that the asset smoothing is just for the assets. Mr. Ireland replied, correct. Ms. Troy asked what should the margin target be and what is a good minimum? What are the numbers historically? Mr. Ireland replied that 10% in 15 years can be achieved and it is affordable. A 20% margin is a better target margin but is not a practical outcome to achieve. Many plans have a 10% target margin but this is moving more towards a 15% margin depending on the nature of the plan. A 15% target margin is a frequent number in the industry. This is attributed to a study by the CIA about three years ago that suggested if you are doing a valuation once every three years, you need about a 15% margin to give you an 85% chance that there would not be an increase in contribution rates. The regulators are getting involved in the debate. Since plans have been exempt from solvency, a minimum standard will need to be put in place.

Ms. Troy added that with the annual valuation, this would be more stringent. A 15% margin may not be the right number with annual valuations. Mr. Ireland can see rationale for more or less than 15%. Mr. Ireland suggested changing the structure of how the margin is reflected.

Instead of reducing the discount rate, use a discount rate of 6.75% best estimate. The liabilities are X and the margin is 10% of X. The same would be done with the current service cost.

Mr. Wilson suggested that this would lock in the margin policy. Any erosion beyond the margin that is set, becomes problematic for the actuary. Mr. Ireland replied that he could sign off on a 6.75% discount rate with a caveat that he has been instructed by the Committee that there would be no margin in the valuation. This may not be accepted by the regulator.

Mr. R. Scott MacDonald added that at a previous meeting, the Committee decided they would have a margin policy and a 10% target margin was discussed.

Mr. Bone suggested using Sample Margin Policy B in combination with using any excess over the expected rate of return. He feels this is a more manageable approach. Mr. Sampson added that the Committee needs to decide what to do if there is a good year. Mr. Wilson would like to see a minimum set.

Mr. B. Moore referred to Sample Margin Policy B and asked if the excess contributions achieved a 5% margin in 2017. A decision would be needed whether to increase contributions. Mr. Ireland added that contribution rates would have to be increased if a 5% margin was not achieved by 2017.

Mr. B Moore asked if Mr. Ireland has seen any plans which say that excess returns would be used to increase margin? Mr. Ireland replied that for other plans as long as you have a range, it is fine. The Committee needs to decide whether additional contributions should be used to fund margin.

Moved by Britt Wilson and Seconded by John Traves that the CEO be directed to create a draft margin policy with a target of 10% by 2028.

Britt Wilson accepted a friendly amendment by Nigel Field that a minimum margin of 5% be achieved by 2018 (the year the 2017 valuation is conducted).

Mr. Ireland added that to achieve this, contribution rates would have to be increased unless there is a surplus.

Mr. Sampson asked if we needed to tie in the discount rate? Mr. Ireland replied, no. Mr. Ireland would like to see the structure changed so that liabilities are always based on the best estimate discount rate assumption.

Mr. R. Scott MacDonald made a friendly amendment to Britt Wilson's motion, Seconded by Rick Dexter, which states never to go below a 2.5% margin rate.

Also, Ms. Troy added that if 3% is attained, never go below that since the target is 5%.

Motion: ***Moved by Britt Wilson and Seconded by John Traves that the CEO be directed to create a draft margin policy with a minimum margin of 5% to be achieved by 2018 (the year the December 31, 2017 valuation is conducted) with a target margin of 10% by 2028. Motion Put and Passed.***

Mr. Deacoff added that the Committee has not discussed a policy framework and general decision rules that allow for flexibility. Should this be addressed at this time?

Mr. D. White felt this wording could be added to the policy being drafted by the CEO. Mr. Ireland also suggested adding what the maximum margin should be. The Committee decided that the maximum should be 25%. The minimum and maximum margin percentage will be added to the draft policy.

5.2 Commuted Value Payouts – Action items from the Minutes

Ms. Tanner referred to her memo in the Pension Committee package on Commuted Value Payouts in response to the Committee's request for more information at the last meeting. The Committee asked for statistics on members who terminate after becoming eligible to retire, more information on commuted values payouts for those members with shortened-life expectancy, and real life costs for specific situations.

Table 1 of the memo showed that 2.3% of retiring members (those that would typically put in their 3-5 month notice of their intent to retire) elected a commuted value payout. Table 2 showed that 14.5% of members who terminated employment after becoming eligible to retire elected a commuted value payout. The combined total, including both retiring members and members who terminated employment after becoming eligible to retire, showed that 3.1% of these members elected commuted value payouts. These percentages represented the period 2011 to 2015.

If the Pension Committee were to remove the commuted value transfer option for retirement eligible members, there are provisions in the Nova Scotia Pension Benefits Act (the "PBA") and its Regulations that would allow a member with a shortened life expectancy of less than two years to transfer their benefit out of the Plan. In this case, a physician certificate and a spousal waiver would be required.

Mr. R. Scott MacDonald asked if there was any hold back for a person with a shortened life expectancy to transfer out? Ms. Tanner believed it to be the full amount similar to a small benefit. There are two exceptions to the holdback in the Act which are the small pension rule and the shortened life expectancy.

Ms. Little asked if active members have to terminate employment before they are retirement eligible to have a deferred pension and get the shortened life expectancy benefit? Ms. Tanner will obtain more information on those rules. The discussion today is around people who are eligible to retire.

Mr. D. White asked if someone who is eligible to retire but terminates, is that retiring? Ms. Tanner replied that there are two situations: 1) those members that typically provide their 3-5

month notice of their intention to retire and are ready to start receiving a retirement income, and 2) those members that quit their jobs with 2-3 weeks' notice, and are eligible to retire but are perhaps moving on to another job.

Mr. Field asked if you could defer a pension in the second case? Ms. Tanner replied, yes.

In the first case, if a member is retiring and has given their notice, the member would be provided with the monthly pension options for retirement. There is a disclaimer on the paperwork to indicate more information may be obtained if the member is interested in the commuted value transfer option. In the second case, if a member is terminating their employment after being eligible to retire, the member would be provided with a termination package which contains the same options as a terminating member who is not eligible to retire.

Mr. D. White asked if someone retiring could defer their pension? Ms. Tanner replied, yes.

Mr. D. White asked for clarification that we cannot take away the right for a member who is not eligible for retirement to take the commuted value. Ms. Tanner replied, yes, that is correct.

Mr. Wilson asked for clarification that someone who is commencing a monthly benefit is a retiree. Someone who terminates employment and takes their money out, is a terminated or former member? Ms. Tanner replied that they would be considered a terminated member.

Mr. Wilson asked for clarification that a member who terminates employment but does not take a monthly pension and does not take their money out is a deferred member? Ms. Tanner replied, yes.

Mr. Dragatis asked if a member is eligible to retire but leaves and does not want to retire, how long can they defer their pension? Ms. Tanner replied until the end of the year they turn 71.

In consultation with the Plan's actuary, Ms. Tanner provided the potential financial impact on the Plan of four sample members who could elect the commuted value option when they would otherwise be eligible to commence an immediate pension. Mr. Ireland reviewed the examples for the Committee. He concluded that the Plan is susceptible to a material loss when a member leaves and takes their commuted value. The amount of the loss depends on the current bond market interest rate. If the current low interest rate environment continues, this could have a material funding risk for the Plan going forward.

Mr. Bussey asked if the concern was for risk over the long term? Mr. Ireland replied that this is a potential risk that is not getting better. Mr. Bussey asked if the Plan was more at risk if notice is given that the commuted value option would be removed than the risk being experienced at the present time? Mr. Ireland replied, yes, this is a possibility. The transition and the implementation of removing the commuted value option may be a challenge.

Mr. Wilson suggested that mismatches between the Plans's funding and benefit payments should be eliminated.

Mr. Sampson asked if removing the option to take commuted value is more of a disadvantage to single members than to married members? Ms. Tanner replied, yes. Mr. Ireland added that it could be more attractive for a single member to take the commuted value than a married member.

Mr. Sampson asked if defined contribution accounts would still be eligible to transfer out? Mr. Ireland replied, yes.

Mr. de Montbrun asked if there was a required notice? Ms. Tanner replied that notice would have to be given.

Mr. Roussel asked if most other plans allow for commuted value? Mr. Ireland replied that in the past five years most plans have eliminated this option. There were not a lot of plans that had this option originally. Those that have not eliminated the option are closed plans.

Mr. de Montbrun asked if plans that have eliminated this option, have many members taken their commuted value when given notice? Mr. Ireland replied that he has not seen a huge number electing to do this when given notice. Ms. Tanner replied that some plans that have removed this option have grandfathered it to a certain date.

Mr. T. Moore felt that since the impact of members taking this in the past has not been that great, the Committee should not remove it.

Mr. D. White expressed his concern of the number of firefighters that are eligible to retire and may take the commuted value option before it is removed. He suggested letting members keep this option until they reach their normal retirement date if they are eligible to retire six months from today.

Mr. Deacoff added that if this option is a risk, the magnitude needs to be identified. His preference would be to eliminate the option for transfer for those that are not currently eligible for retirement.

Mr. Wilson commented that the examples given by the actuary cost the Plan approximately $1 million. Mr. Ireland responded that these are just sample individuals and the risk would depend on if they all retire in one year.

Mr. Traves added that the commuted value transfer option goes against the nature of the Pension Plan which is to pool the assets and risks of the Plan to ensure that they are spread out. When an employee takes their commuted value, they may not always be equipped in knowing what they are doing. Ms. Tanner added that the HRM Pension Plan has very good disclosure on the statements and the risks are explained.

Mr. Dragatis asked if there is a threshold as to when commuted values will affect the Plan? Mr. Ireland replied that this depends on the number and the assumptions used to calculate the commuted values and if the interest rates stay chronically low, which has been the case for some time. This may be a reason for more people to take their money out. If everyone who could

retire on December 31, 2014 did so and took their commuted value, it would be an approximate $200 million exposure to the Plan.

Mr. R. Scott MacDonald added that the holdback of 40% is huge and may have an effect for some people who decide to take their commuted value.

Mr. Bone felt that the percentage of members taking the commuted value option in the past is low and there may not be a large number who take it in the future.

Mr. Bussey asked if it was possible to switch to using the going concern rate of 6.55% and eliminate the difference completely instead of using the current interest rates for evaluating the commuted value. Mr. Ireland replied that this is the solution but the regulations say that you have to use the bond rates. Currently, the CIA is discussing what should be the basis for calculating commuted values and should there be some basis for using the going concern rate for some types of plans.

Mr. Field suggested that the Committee make a decision.

Moved by John Traves and Seconded by Mike Lawlor to remove the transfer option for retirement eligible members and proceed with six months' notice.

Mr. D. White expressed his concern again and did not agree with this motion. He also added that when someone takes the commuted value, they are off the books and if they were married, that eliminates the requirement for a spousal pension as well.

Ms. Whitewood added that while there are potential consequences to removing this option, in her experience allowing commuted values creates volatility to the assets of the Plan and also sets this Plan apart from other plans. Ms. Whitewood supports the motion.

Mr. Sampson asked if there have been any option packages for retirements given out recently that are greater than six months? Ms. Tanner replied, no.

Mr. Dexter stated that he does not support the motion.

Mr. R. Scott MacDonald asked if the notice period should be the end of 2016? Mr. Traves expressed his concern of making the notice period longer than six months given the age of the workforce. The number of people who could then take advantage of this option would be larger. The Committee should clearly communicate this to members so that those who still want to take advantage of this option may do so.

Mr. Bussey asked if a member has to be retired at the six month point or do they have to apply to retire at six months? Ms. Tanner replied that the pension commencement would be six months from now.

Mr. R. Scott MacDonald proposed a friendly amendment to make the notice period to the end of 2016. Rick Dexter seconded the friendly amendment.

Mr. Traves did not agree with the friendly amendment.

Mr. Wilson expressed his concern that this decision is not customizable to certain groups.

Mr. de Montbrun asked when would the notice start?

Ms. Tanner added that the Plan Text is written right now to allow the commuted value option. If the Committee is not going to allow it, an amendment will need to be made. The Superintendent of Pensions has confirmed that the right to transfer a commuted value out of the Plan for retirement eligible members is not considered to be a "benefit." As such, approval of all unions and Council is not needed for this amendment but an amendment needs to be done and communicated to plan members.

Mr. Traves asked if there was a legal obligation to give six months' notice of this decision? Ms. Tanner replied that she would need to clarify with the PBA.

Mr. Cameron asked for a restatement of the motion and friendly amendment.

Moved by John Traves and Seconded by Mike Lawlor to remove the transfer option for retirement eligible members and proceed with the six months' notice.

Mr. R. Scott MacDonald proposed the friendly amendment to make the notice period to the end of 2016. Rick Dexter seconded the friendly amendment.

Mr. Deacoff proposed a friendly amendment that the Co-Chairs draft a notification to plan members to be reviewed and approved by the Committee. The date of the circulation of the notice shall constitute the beginning of the notice period.

Mr. Traves did not agree with Mr. Deacoff's amendment or Mr. MacDonald's amendment.

Mr. Wilson proposed a friendly amendment that the notice would go out no later than March 1, 2016 with six months' notice before any changes can be made.

Mr. Wilson read from the Plan Text Section 6.15: The Committee shall provide a notice and written explanation of an amendment to the Plan to each member or any other person entitled to payment from the pension fund who is affected by the amendment within the applicable time period prescribed by the Pension Benefits Act.

Mr. Traves agreed with Mr. Wilson's amendment.

Mr. Sampson asked if this means after the amendment is approved by the Superintendent or when the amendment is made by the Committee? Mr. Ireland would need to clarify this. [Subsequent to meeting, Lisa Tanner checked the new PBA rules. The Plan has to apply for registration of an amendment 60 days after the date the Plan is amended (Section 22(1) of the PBA and Section 29(1) of the Regulations). Before the Plan applies for this amendment, the

Plan has to provide notice of the amendment 45 days in advance of filing the amendment with the Superintendent of Pensions (Section 39(1) of the PBA and Section 30(3) of the Regulations.]

Mr. D. White suggested saying the option is only available when the impact to the Plan due to prevailing interest rates is no greater than the going concern rate. Mr. Ireland replied that this is not possible.

Mr. Traves suggested that it would be less risky to make the decision today and allow six months' notice.

Motion: ***Moved by John Traves and Seconded by Mike Lawlor to remove the transfer option for retirement eligible members. The notice would go out no later than March 1, 2016 with six months' notice before any changes can be made. Motion Put and Passed.***

5.3 Governance Update

Mr. B. Moore received correspondence from Ron Pink's office regarding the governance and sustainability review. The disbursements were minimized to a dollar figure. The financial impact was 15% lower than the mandate provided to the Co-Chairs previously. Further details will be discussed at the In Camera meeting.

5.4 Code of Conduct

Mr. Traves reported that the Code of Conduct policy and the corresponding Plan Amendment number 2011-01(which states that voting members and alternate members must abide by the Code of Conduct) were passed by Halifax Council. He is awaiting confirmation from the minutes.

Ms. Troy asked if all the pending approved changes to the Plan Text can now be made to the Plan Text? Mr. Traves replied, yes.

6. <u>NEW BUSINESS</u>

6.1 Plan Member Survey

A memo as well as a history of the last plan member survey was distributed in the Pension Committee package. Ms. Troy asked the Committee if they would like to go ahead with another plan member survey and decide on next steps?

Moved by Rick Dexter and Seconded by Dan White to move forward with the plan member survey. Motion Put and Passed.

The recommendation is to do another conjoint survey. Plan members will be asked which existing and potential plan benefits they feel are relatively more attractive than others. Plan members will be provided with the cost of each benefit. The survey will also assess the maximum contribution rate that plan members are willing to pay.

Ms. Troy asked the Committee if there was anything additional they would like added to the survey.

Mr. Traves suggested including a brief summary of the financial situation of the Plan.

Mr. Bone asked if the survey would explain the 2% formula versus the integrated formula and give an example? Ms. Troy replied, yes.

Mr. B. Moore believes that one of the issues of conducting a member survey is a general lack of understanding of the pension benefits and terms by plan members.

Ms. Little referred to the number of plan members who participated in the previous survey and asked if there were statistics to confirm that a 25% response rate is good? Ms. Troy replied yes. Towers Watson confirmed that the response rate was statistically significant.

Mr. Traves suggested continuing the conversation and doing surveys more often.

Mr. Traves suggested adding a message on the HRM Employee Hub that would encourage members to speak with their pension representatives and to give some time and consideration to the survey. Ms. Troy agreed that this is a good idea.

Mr. MacKay added that the survey should be as easy to understand as possible. There should also be an opportunity for members to come back with what their threshold should be with regard to contribution rates.

Mr. Traves would like an opportunity as CAO to put forward a formal response to the survey. This can be provided to members with the results of the survey. Mr. Field questioned the potential confusion about messaging from the CAO Office versus the Pension Committee. Mr. Field suggested that the CAO's comments should come to the Pension Committee.

Ms. Troy would like to encourage members to do electronic surveys and, if needed, suggest a place for them to go to complete the survey if they do not have access to a computer at home or work.

Ms. Little asked if the Participating Employers would be given the opportunity to respond to the survey as well? Ms. Troy replied that if the Committee was fine with HRM responding, it would only be fair to allow other Participating Employers to respond as well. Mr. Traves added that the responses would come to the Committee.

Mr. R. Scott MacDonald suggested delaying the timeline for the survey until after the Commuted Value notice period has expired in the Fall 2016.

6.2 CEM Benchmarking

A memo was distributed in the Pension Committee package. Mr. B. Moore asked the CEO to look into the possibility of using CEM's benchmarking services for pension administration costs. At the moment, there are no peer groups for plans that have less than 40,000 plan members in Canada. Therefore, this is not applicable to the HRM Pension Plan at this time but there may be an option in the future.

6.3 Training Report

- **Rotman-ICPM Board Effectiveness Program – November 2015**
  Mr. B. Moore attended this program in Toronto. He reported that it was a very good program and he would recommend for new Co-Chairs to attend.
- **48th Annual Canadian Employee Benefits Conference – November 2015**
  Mr. Bone attended this conference in Las Vegas. He reported that it was general in nature but covered a broad range of topics. The weak Canadian dollar relative to the US dollar was a challenge.
- **Lancaster 3rd Annual Pensions Conference – December 2015**
  Mr. Dexter, Mr. MacKenzie, Mr. Dragatis and Mr. Harper attended this conference in Toronto. Mr. Dexter reported that the topics were of a wide variety and the conference was enjoyable. He would recommend this conference.
- **CAIP West – December 2015**
  Mr. Dexter and Mr. MacKenzie attended this conference at Lake Louise, Alberta. A lot of knowledge was gained at this conference. Mr. Dexter would recommend anyone with an investment background to attend this conference.

Mr. Bone updated the Committee on the Training and Education budget for 2016. There are 12 Voting Members and 16 Alternates. The total budget for the year is $120,000. To date, one person is registered for FTMS which is being held in Halifax in July along with ATMS. Mr. Bone suggested that members should take advantage of this training since it is being held in Halifax. The Training and Education Committee will meet again soon and provide training suggestions to members.

Mr. Sampson asked what are the training budget amounts? Mr. Bone replied, $3,000 for Alternates and $6,000 for Voting Members.

Mr. Dexter commented that there is an interesting conference coming up in May in Toronto on governance and actuarial basics.

6.4.1 Appointment of New Audit Sub-Committee Member

Mr. B. Moore reported that Amanda Whitewood has been appointed to the Committee as a management voting representative. Louis de Montbrun had been recently appointed as an Alternate representative. This appointment has since been rescinded and Louis will be staying on as a voting member. Mike Sampson will become an Alternate member. Therefore, the requirement for a new Chair for the Audit Sub-Committee is no longer required as Louis will be staying on as Chair.

There is still a requirement for a new voting member on the Audit Sub-Committee. Amanda Whitewood expressed an interest in this position.

Moved by John Traves and Seconded by Britt Wilson to appoint Amanda Whitewood as the new voting member of the Audit Sub-Committee. Motion Put and Passed.

6.4.2 Appointment of New Audit Sub-Committee Member

Not required. See 6.4.1.

7. OTHER BUSINESS

None.

9. DATE OF NEXT MEETING – March 10, 2016

10. ADJOURNMENT

The meeting adjourned at 1:15 p.m.

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Bill Moore, Co-Chair