HALIFAX REGIONAL MUNICIPALITY
PENSION COMMITTEE
Thursday, November 20, 2014
The Halifax Club, 1682 Hollis Street, Halifax, NS, Morrow Room
9:00 a.m. – 4:00 p.m.

MEMBERS: Michael Lawlor, Retiree
R. Scott MacDonald (HRPA), Co-Chair
Raymond MacKenzie, ATU
Roxanne MacLaurin, Management
Bill Moore, Management, Co-Chair
Mike Sampson, Management
Britt Wilson, Management
Dan White, IAFF

ALTERNATES: Andrew Bone, NSUPE
Stephen Bussey, IAFF
Gerard Cottreau, Management *(acting for Gordon Roussel)*
Rick Dexter, NUMEA
Jack Dragatis, ATU
Nigel Field, Retiree
Melanie Gerrior, NSUPE *(acting for Jennifer Purdy)*
Sherry Hilchey, NUMEA
Dwayne Hodgson, HRPA
Ted Moore, IAFF
Peter Nixon, HRPA
Jordon Taylor, CUPE
John Traves, Management
Mike Young, CUPE *(acting for Sheldon Harper)*

STAFF: Terri Troy, CEO
Donna Bayers, Executive Assistant
Angela White, Manager, Pension Services
Matt Leonard, Manager, Finance & Operations
Alex Longmire, Manager, Pension Investments *(at noon)*
Abbie Sui, Senior Investment Associate *(at noon)*

OTHERS: Anne Patterson, Halifax Regional School Board
Diane Levandier, Sackville Sports Stadium
Cheryl Little, Halifax Water *(for Cathie O'Toole)*
Gary McPherson, Halifax Water, Observer

REGRETS: Audra Abbott, NUMEA
Sheldon Harper, CUPE
Jennifer Purdy, NSUPE
Gordon Roussel, Management

1. CALL TO ORDER

The meeting was called to order at 9:05 a.m. by the Co-Chair, Mr. Bill Moore. An In-Camera meeting will be held at the end of the Pension Committee meeting to discuss CEO performance monitoring and to provide a detailed overview of private investments.

Mr. Gary McPherson of Halifax Water attended today's meeting as an observer.

2. APPROVAL OF THE AGENDA, ADDITIONS, AND DELETIONS

An additional agenda item No. 3.1 was added to the agenda, "Q3 2014 Executive Summary." This will be a Standing Agenda Item.

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

3. APPROVAL OF MINUTES – October 9, 2014

Moved by Ray MacKenzie and Seconded by Britt Wilson to approve the October 9, 2014 minutes. Motion Put and Passed.

3.1 Q3 2014 Executive Summary

Ms. Troy provided highlights from the equity and bond markets since the last meeting and some administrative updates.

The year to date estimated return for the Master Trust is 7.8% as at close of November 18, 2014. This exceeds the minimum required of 3.2% for 2014 to prevent contribution increases/benefit reductions (assuming no adverse changes in liabilities).

As reported in a recent Benefits & Pension Monitor daily email blast, the International Foundation of Employee Benefit Plans (IFEBP) and Horizon Actuarial Services, LLC found the median investment return for US multi-employer DB plans for the calendar year 2008 was -23.5%. The median annualized return over the 10-year period from January 1, 2003, through December 31, 2012, was +5.9%.

The Master Trust's 2008 experience was -14.77%, exceeding the median. The return over the same 10-year period was +7.1%, which also exceeded IFEBP's median return.

The Halifax Regional Municipality Pension Plan's annual valuation has been filed. The Superintendent of Pensions responded with some clarifying questions. A response to the Superintendent's questions will be sent shortly.

Ms. Troy met with the Associate Deputy Minister and Controller for the Nova Scotia Department of Finance, Byron Rafuse, to discuss pension legislation. Ms. Troy also expressed her concern that the HRM Pension Plan has to file annual valuations. A three year window to file valuations is more in line for public sector pension plans and would be better for the Plan in order to reduce contribution volatility. The Pension Division was previously under the Department of Labour but has now been moved to the Department of Finance.

A Plan Member communication was prepared and distributed. This was in response to members calling the Pension Office regarding the In Camera Halifax Regional Council meeting. Approximately 14 queries were received on this issue. The member communication was also posted on the HRM Pension Plan website.

4. GOVERNANCE REVIEW

4.1 Committee Self-Monitoring STANDING ITEM (Committee)

- Process
- Performance

The Committee had no comments.

4.2 Governance Policy Review – Committee –Management Delegation (Committee)

(a) Delegation of the CEO
The Committee reviewed and made no changes to this policy.

4.3 Governance Policy Review – Governance Process (Committee)

(a) Global Governance Commitment
The Committee reviewed and made no changes to this policy.

(b) Governing Style
The Committee reviewed and made no changes to this policy.

(c) Committee Job Description
The Committee reviewed and made no changes to this policy.

(d) Agenda Planning
The Committee reviewed and made no changes to this policy.

Moved by Mike Lawlor and Seconded by Dan White to approve the above policies as presented. Motion Put and Passed.

4.4 Governance Policy Review – Executive Limitations – Monitoring Reports (T. Troy)

(a) Asset Protection
The CEO is in compliance with the limitations associated with this policy.
Ms. Troy provided an update to this report since the last report in June 2014.

In YTD 2014, Aon Hewitt reimbursed the Plan $159 related to four pension overpayments. Since March 2014, most benefit calculations are performed by

Pension Office staff (with the exception of complex cases, which are calculated by Aon Hewitt). Starting in Q4 2014, pensioner audits will be performed using Equifax's deceased ID service. Previous audits were done once every five years. Going forward, audits will be completed annually. Ms. White will update the Committee at the next Pension Committee meeting.

(b) Investment
The CEO is in compliance with this Executive Limitation. The investment strategy was in compliance with the SIP&P as at September 30, 2014. The Asset Mix min-max ranges as of the end of Q3 was Equities 38.41%, Fixed Income, 35.64% and Minimum Target Return, 25.95%.

Mr. Bussey asked how much was committed of the minimum targeted return? Ms. Troy replied approximately 42%.

Ms. Troy reviewed the top 10 holdings by Book Value and the top 3 Canadian Government holdings by Book Value.

The average credit rating remains high at A, above Investment Grade.

All Investment Managers reported that they were in compliance with the Investment Management Agreements.

Mr. Field asked what is the "Canada Housing Trust" under the top 3 Canadian Government Holdings? Ms. Troy replied that this is a government backed bond. Ms. Troy will ask Mr. Longmire to provide an update on Canada Housing Trust bonds later in the meeting.

(c) Communication and Support to the Committee
The CEO is in compliance with the limitations associated with this policy.

A Plan Member sent an email to the Pension Office which is contained in the Pension Committee package. The member was concerned that some Committee members were not plan members. The Pension Office identified one management alternate who was not a plan member. Ms. White e-mailed Mr. Richard Butts, CAO. He replied that this person would be replaced.

The Committee decided that the HRM Training Room was not suitable for Pension Committee meetings due to its size. Ms. Bayers has booked the Art Gallery of Nova Scotia for future meetings. When the new Halifax Library becomes available, Ms. Bayers will check to see if this location will be suitable.

Moved by Ray MacKenzie and Seconded by Mike Young to approve the above policies as presented. Motion Put and Passed.

5. BUSINESS ARISING FROM THE MINUTES

5.1 Update – Amendment 2014-02 – Transfers from other Registered Pension Plans

At the October 9, 2014 Pension Committee meeting, the Committee asked Ms. White for further clarification as to Amendment 2014-04 – Transfers from other Registered Pension Plans (originally proposed as Amendment 2014-02). The Committee requested further information on the requirements for an Additional Voluntary Contribution (AVC) under the provincial pension legislation before making a decision on the proposed amendment.

Ms. White consulted with Don Ireland, Actuary, Aon Hewitt. A letter from Mr. Ireland was enclosed in the Pension Committee package. Ms. White reviewed the main points of the letter.

The Plan Text needs to have wording to say that transfers from other plans would be accepted. For administrative clarity, it would be helpful to add that the funds would be used to purchase past service.

Mr. White commented that when someone makes an additional voluntary contribution from a former employer's plan, it is treated like a DC account contribution. Would these funds be temporarily held until a person can purchase service with it? Ms. White replied that the transfer would not be accepted until it was known that the member could actually purchase credited service with it. Information from the member's former employer regarding the service in their plan would be provided to the Pension Office in advance of any transfer of funds. The cost of the prior service would be determined and communicated to the former plan. The transfer from the former plan would be accepted unless the amount exceeded the amount required to purchase past service. The amount transferred from the member's former plan would be immediately converted to past service.

Mr. White asked how this differs from having a reciprocal transfer agreement in place? Ms. White replied that a reciprocal agreement completely dictates how the transfer amount will be determined and how credited and continuous service will be determined under the new plan. Buybacks of service from a former employer are different than reciprocal transfers. The funds transferred in for a buyback will be used to purchase credited service as outlined in the Plan Text.

Mr. Field asked how would you have too much money to purchase service? Ms. White replied this could happen if the former employer's pension plan was more generous in some aspects. A member is typically entitled to a commuted value of their pension when they terminate membership in a pension plan. If the commuted value of the member's pension under their former plan is greater than the actuarial value of the service that would be credited in the HRM Plan, the member would have excess funds. The HRM Plan would only accept what is needed to purchase the past service. If there was not enough money to purchase the service, they would get a prorated amount. The member would only be purchasing credited service; they would not get continuous service for early retirement like they would with a reciprocal transfer.

Mr. Sampson referred to the actuary's final point in the letter regarding the administrator having final authority to accept the transfer. Does adding the word, "additional" in the amendment clarify this? Ms. White replied that under the original amendment (formally 2014-02), she had suggested striking out the word “additional.” After discussions with the actuary, Ms. White does not feel it is necessary to do this since the money coming into the plan from another registered plan is immediately converted to credited service.

Ms. Troy asked if the actuary has reviewed the amendment and endorses Ms. White’s recommendation? Ms. White replied, yes, this is stated in Mr. Ireland’s letter.

Mr. B. Wilson asked if this reflects the current practice? Ms. White replied, yes.

Moved by Mike Young and Seconded by Dan White to approve Amendment 2014-04 (formally 2014-02) as amended. Motion Put and Passed.

5.2 Q3 2014 Report on Service Standards

Ms. White reviewed the Service Standard Report for Q3-2014. There was 100% compliance from Aon Hewitt in this quarter with the exception of some termination statements. The two termination statements that were not completed on time were complex cases. A credit is received from Aon Hewitt if any statements are late. The Pension Office was 100% compliant with service standards with the exception of pension estimates and marriage breakdown statements. 90% of pension estimates were completed on time. The four pension estimates that were completed late were complex and required significant time for review. The Pension Office completed 4 marriage breakdown statements in Q3 which went past the service standard. Steps have been taken to streamline the processes. Ms. White feels that 5 business days is aggressive for the Pension Office to complete these statements considering their complex nature. Ms. White suggested changing the standard from 15 business days with Aon Hewitt and 5 days with the HRM Pension Plan to 20 business days in total.

Mr. B. Moore asked if the requests for service are increasing? Ms. White replied that there were more requests for pension estimates in Q2 than Q3, 52 vs. 38. These are pension estimates prepared by the Pension Office but do not include pension estimates that are done by members using the retirement calculator tool on the HRM Pension website. Ms. White added that there have been more requests lately.

In Q2, one pre-retirement death statement completed by Aon Hewitt was identified as late; however, Aon Hewitt was within the service standard. The death was reported to Aon Hewitt immediately, however, Aon Hewitt cannot begin working on the statement until the payroll file is actually closed for that member. The start date should have been when the payroll file was closed.

5.3 Cost of Benefit Changes on a Going Concern Basis

Mr. Ireland, Actuary, Aon Hewitt referred to the chart in the Pension Committee package, “HRMPP Summary of Cost Impact for Proposed Benefit Changes – November 2014.” The Pension Committee had asked Mr. Ireland to provide information on how various benefit changes would impact the cost of the plan, such as:

- Pension accrual
- Early Retirement
- Survivor benefits
- Ad-hoc pension increases

- Removal of portability option on retirement

Any changes to the pension accrual, early retirement provisions and survivor benefits would involve reductions to future service benefits only. The ad-hoc pensioner increases relate to improvements in past service benefits for pensions currently in pay.

The costs have been subdivided between PSO and non-PSO members to illustrate how the proposed changes impact each group.

Mr. Ireland explained the various changes that could be made to pension accruals such as an integrated formula or different average earnings period.

Mr. Field asked if Mr. Ireland could describe how much this would affect peoples' pensions? Mr. Ireland continued to review the chart and addressed this question later.

Mr. Ireland explained the various changes that could be made to early retirement subsidies, such as changing the Rule of 80/75 to the Rule of 85/80 or imposing a minimum retirement age of 55.

Mr. Ireland explained that survivor benefits could be changed to reduce the normal form of pension for married members to Joint & Survivor 60% or provide that the normal form for all members would be life only with the first 120 payments guaranteed. Married members who elect a joint and survivor pension would have their pension actuarially adjusted.

Mr. Ireland explained that costing was provided for pension indexing on future service only as well as ad-hoc pension increases for current pensioners

The amortization of the increased going-concern liabilities over a 14 year period beginning January 1, 2015 has been shown as a level percentage of pensionable earnings for information; however, current legislation would require that any past service improvement would need to be fully funded at the time it is made.

Mr. Ireland explained that the Committee could remove the portability option on retirement. Removal of the portability option on retirement would not impact going-concern costs; however, it would reduce the risk of future experience losses due to lump sum payouts on retirement being greater than the going-concern liability.

Mr. White referred to the option to increase the normal retirement age by one year. He asked if age 60 for PSO was federal law? Mr. Ireland replied no, you could go above age 60.

Mr. Cottreau referred to the option of indexing of pensions for future service and asked why 60% of the CPI was chosen? Mr. Ireland replied that 60% is a common benchmark for plans that are indexed. There are not many plans that provide 100% of the CPI increase.

Mr. Ireland outlined the reduction in contribution % that would occur with each change compared to the current service cost of 17.4% for PSO members and 17.5% for non-PSO members and combined service cost for all members.

Mr. Bone asked if the reductions shown were on the total contribution for employees and employers? Mr. Ireland replied, yes.

Mr. Ireland explained that the impact of an integrated formula is not as great for PSO members because the PSO members are a higher earning group. With an integrated formula, the higher the pay, the higher the benefit.

Mr. Bone commented that most integrated formulas have a built in indexing option. Is that particular option included in a built in indexing for post-retirement indexing? Mr. Ireland replied, no, it is not.

Mr. B. Wilson added that usually when a plan offers an integrated formula, they integrate the contribution rates as well so there is an under the YMPE contribution and over the YMPE contribution. He asked how does this integrate? Mr. Ireland replied that it would not change the current service cost. It would change the allocation in that higher income earners would contribute more than lower income earners and make it more equitable relative to the benefit they are getting.

Mr. Traves asked what would a 1% of pay change in cost be in dollar terms? Mr. Ireland replied approximately $3 million for the Plan assuming a $300 million payroll.

Mr. Dexter asked if an integrated plan would lower the amount he would receive from the HRM Plan when he is eligible for CPP? Mr. Ireland replied, yes. He expressed his concern that his overall take home pay per month would be reduced by what he would receive from CPP. Mr. Ireland added that the integrated formula would bring this down to approximately 1.6% payable from the HRM Plan. The integrated plan is designed to provide the full 2% when CPP is added.

Ms. Troy added that the YMPE moves up each year as well.

Mr. B. Wilson added that the Committee asked for this information in the event that contribution rate increases exceed what the members said they can afford.

Mr. White asked if lower paid workers would be affected the most when an integrated formula is used because they would not necessarily reach the YMPE? Mr. Ireland replied that this is correct; however, the lower income members would be contributing proportionally less than the higher income members.

Mr. White commented on Mr. B. Wilson's point above that we are considering the various options because some day we might be faced with increases we cannot afford. Mr. White said he had been under the impression that we were currently receiving pressure from the CAO's Office to reduce contribution rates from where they are now. Mr. White said he was relieved to hear that there is no pressure to make changes at the present time and that this is about future contribution rate increases.

Mr. S. MacDonald added that the Committee would like to stay current on these issues and this is not the first time that the Committee has asked Mr. Ireland to perform this type of analysis.

Mr. B. Moore asked about the integrated formula based on 1.6% of Best Average Earnings and if this affects the take home pension. Is it a net decline from 2% to 1.6%? Mr. Ireland replied, yes, it would be a decline in pension payable from the HRM Plan that is approximately equal to what the member would receive from CPP.

Ms. White asked how a bridge benefit to age 65 would impact the cost savings from the integrated formula? Mr. Ireland replied that a bridge benefit would give you 2% of the member's Best Average Earnings until age 65 and then it would drop down to the lower amount. He added that a bridge benefit would take approximately 75% of the savings away.

Mr. Field asked if a person were to retire prior to being eligible for CPP benefits, would you only get a 1.4% pension? Mr. Ireland replied that it is not a direct link to CPP. The benefit that the CPP is providing is 0.6% of the best average YMPE. If a person retired at age 56, their total pension would be at 1.4% until CPP benefits start.

Mr. Dragatis asked how could we avoid all of these options? Mr. Ireland replied that strong investment returns (6.25% annualized is assumed) or an increase in contribution rates would make this less of an issue.

Mr. Bone asked about the 15 year special payments and if in 15 years, does this becomes less of an issue? Mr. Ireland replied, yes, as this would decrease combined employer/employee contribution rates from 24% to 17% of pay.

Mr. White added that if we get to full funding, the requirement for the 15 year special payments would go away.

Mr. B. Wilson emphasized that the 15 year amortization is a loss that has already been incurred. Each year a test is done to see if this is improving. Each time a valuation is done, we are testing to see if there is enough money to pay the benefits that have accrued. There could be a new 15 year window each year.

Mr. Dexter asked if the career average plan option was for future members or present members? Mr. Ireland replied it would be for members already in the plan. They would get 2% multiplied by the Best 3-year Average Earnings for service already earned and 2% multiplied by career average earnings on future service.

Ms. Cheryl Little asked how does a career average plan work? Would the base years be assumed and how does a base year upgrade work? Mr. Ireland replied that in a career average plan, you have a running accrual rate. The career average earnings definition could incorporate annual base year upgrades so that the current 2% accrual rate would apply to an average of the career earnings with each year's earnings being increased until retirement at a specified index amount such as inflation or the average wage increase. The result shown in this summary assumes a 0% base year upgrade and hence illustrates the largest amount by which the current service cost could be reduced by using a career average definition. If a base year upgrade equal to the increase in average wages was applied, the current service cost could reduce by approximately 0.3% of pensionable earnings to 17.2%.

Mr. Field asked how much would he lose with a career average plan if he had been making $10 an hour wage at the beginning of his career and $20 an hour at the end? Mr. Ireland replied you would lose approximately 25% (average pay of $15/hour vs ending pay of $20/hour).

Ms. Little asked would people not retire in the hope that there would be a base year upgrade in a career average plan? Mr. Ireland replied that if base year upgrades were common, this could happen.

Mr. Bone asked if there are other options that other plans might be using? Mr. Ireland replied there is another possibility of a flat benefit concept which is not tied to earnings. He added that you do not see this in the public sector but more in the private employer sector. In terms of the public sector, these options presented are common.

Mr. Field referred to the option of freezing the maximum pension limit. He asked if it was possible to lower the maximum pension? Mr. Ireland replied that you can set this to whatever you want going forward. However, this would not have much of an impact.

Ms. Hilchey asked if most other plans have a rule of 85? Mr. Ireland replied that most plans do have the rule of 85 and a minimum of age 55 before being eligible to retire.

Mr. Field asked Ms. White approximately how many people retire when they reach the rule of 80? Ms. White replied that she does not have that percentage but the average member retires at age 60.

Mr. Bone asked Ms. White if she could calculate the percentage of people that actually retire when they are eligible. Ms. White will provide these numbers at the next meeting.

Mr. T. Moore asked if the indexing option would apply to previous service. Mr. Ireland replied that it would apply only to future service.

Ms. Little referred to the option to change the normal form for all members to life only with the first 120 payments guaranteed and asked how would this be transitioned? Mr. Ireland replied that if a married member had a pension of $1,000 a month, $800 would be at the 66 2/3% and $200 would be actuarially adjusted to provide a 60% survivor pension.

Mr. Dragatis asked what happens if you die before the 120 payments are made? Mr. Ireland replied that the balance would be paid to the beneficiary.

Mr. B. Wilson added that a spousal waiver would still have to be signed if a married member did not elect a pension with a survivor benefit.

Mr. Cottreau referred to the Rule of 85/80 option. He asked when you do the valuation based on assumptions, are assumptions ever based on trends in a particular area? Mr. Ireland replied that adjustments are made based on trends.

Ms. Little asked if the normal way to make changes to benefits was to make the changes for future hires and not affect the people already working? Mr. Ireland replied it depends on what you are negotiating. In the private sector, there is usually a plan for new hires and a legacy plan. The public sector varies depending on how big of an impact needs to be made on the contribution rates.

Mr. Field asked if the Canada Pension Plan is improved over the next number of years, would we be looking at changing the HRM Pension Plan? Mr. Ireland replied that it is hard to say when and how this would happen. If the CPP were doubled, the HRM Pension Plan would look at how this would affect the target replacement ratio for members.

Mr. White referred to the third bullet point under “results” of Mr. Ireland’s summary sheet and stressed the first sentence that states that the costings have been performed assuming the proposed benefit changes do not impact member retirement behavior.

The Committee thanked Mr. Ireland for his update.

5.4 Committee Education and Training Budget

Mr. White reported that 76.6% of the Voting Member training budget has been spent and 81.8% of the Alternate training budget has been spent. Of the total budget, this would be approximately 80% spent to date. Mr. White encouraged members to gain as much training as possible.

Ms. Troy asked if the members who attended CAIP West could provide their feedback.

Mr. Nixon felt the conference was very educational for him and that the HRM Pension Plan is well positioned in terms of its strategy with respect to alternative investments. He congratulated Ms. Troy on her efforts.

Ms. Gerrior attended CAIP East and found this very beneficial as well.

Mr. Dexter reported that a number of members completed the ATMS Program in Halifax in October.

6. NEW BUSINESS

6.1 Update on YTD Investment Performance

Ms. Troy reported on this in Item 3.1.

6.2 Update on Private Investments

Mr. Longmire clarified for Mr. Field what are Canada Housing Trust bonds. These are issued by CMHC and backed by the Government of Canada.

Mr. Longmire provided an investment overview of the minimum target return portfolio.

In September 2008 the HRM Pension Plan Committee, motivated by the desire to improve risk-adjusted returns, approved a Minimum Targeted Return allocation equal to 0-30% of the Master Trust (MT), with a long term target of 20% of the MT. In October 2014, the Committee, in response to the success of the MTR portfolio (“Portfolio”), increased the range to 20-50% with a long term target of 40%.

The Portfolio is invested in real estate, infrastructure, private equity, and private debt. It is diversified across industry and geography. The total capital invested in the Portfolio is currently C$407.6 million representing approximately 27.4% of the investments in the MT as of September 30, 2014.

The long term annualized return target for the Portfolio is 6.25% net of fees. Over the past three years the MTR portfolio earned 17.80% net of fees on an annualized basis. The high returns reflect a successful opportunistic strategy. For the nine months ending September 30, 2014, the MTR portfolio earned 6.73% annualized net of fees.

Since the first investment was made in April 2009, the MTR portfolio has earned 13.22% annualized net of fees or 6.63% over the benchmark.

As of November 19, 2014, the MTR portfolio's year-to-date return was 8.4%.

Mr. Bussey asked if 30% of the MTR portfolio invested in real estate was appropriate? Mr. Longmire replied that the team is comfortable with this allocation. The HRM Pension Plan's real estate allocation is diversified across different regions and sectors experiencing many different real estate market environments. The Plan's overall real estate allocation is approximately 8%. Many plans have a 10-15% allocation for real estate.

6.3 Appointment of New Union Co-Chair as of December 31, 2014

Mr. Scott MacDonald will be stepping down in his role as Union Co-Chair of the HRM Pension Committee as of December 31, 2014. Mr. MacDonald felt that since both Co-Chairs are now from the same business unit, there could be a conflict.

Mr. Ray MacKenzie nominated Mr. Dan White for the new Union Co-Chair role. Mr. White accepted.

Moved by Ray MacKenzie and Seconded by Mike Lawlor to appoint Dan White as the new Union Co-Chair of the HRM Pension Committee as of December 31, 2014. Motion Put and Passed.

The Committee thanked Mr. MacDonald for his hard work and dedication to the Pension Committee.

Mr. T. Moore also thanked Mr. MacDonald on behalf of Fire and hoped that Mr. MacDonald would step back into the role if needed in the future.

6.4 Annual Approval of DC SIPP

Ms. White confirmed with Manulife that there are no changes to the SIP&P for the Defined Contribution Plan and Group RRSP. A copy of the investment policy dated December 8, 2004 is contained in the Pension Committee package.

As is the case for the Investment Policy for the HRM Pension Plan, the Committee is required to annually review and approve the Defined Contribution Investment Policy. This is part of the annual certification that is sent to the Superintendent of Pensions. There are no changes required to the Statement of Investment Policy for the Defined Contribution Pension Plan and Group RRSP.

Ms. White explained that the DC plan was formed as a result of the merger of the former Halifax County Municipality part-time and Town of Bedford pension plans. These two plans merged to form the Defined Contribution Pension Plan for Certain Employees of the Halifax Regional Municipality.

There are 4 actively contributing members from the Town of Bedford and 86 members with pension benefits in that plan. A lot of the members chose to join the HRM Pension Plan and cannot access these benefits until they terminate employment, retire or pass away. There are also some members who have left the organization but have not transferred their pension benefits. The records are being reviewed to contact these members. As of October 31, 2014, there is approximately $1.4 million in the DC Plan. The group RRSP has about $450,000 in assets as of October 31, 2014. This is a group RRSP for former Town of Bedford employees. There are 25 members in the group RRSP including the 4 actively contributing members.

Mr. Sampson asked if there has been any feedback from plan members with the types of investment options that are available? Ms. White replied, no, there has been no feedback. The majority are invested in GICs.

Moved by Mike Sampson and Seconded by Mike Young to approve the Defined Contribution Pension Plan Statement of Investment Policy for the Halifax Regional Municipality as presented. Motion Put and Passed.

6.5 Appointment of Auditor for the 2014 Pension Plan and Master Trust Audit

Mr. Sampson spoke on behalf of Gordon Roussel, the chair of the Audit Subcommittee. The Audit Subcommittee met on October 27, 2014. The 2014 Audit performed by Deloitte went smoothly and there were no performance issues. Deloitte will continue to honour their contract with a 2% inflationary increase in fees for this year. The Audit Subcommittee feels this is reasonable.

The Audit Subcommittee recommends that the Pension Committee accept the appointment of Deloitte as the auditor for the 2014 HRM Pension Plan and Master Trust financial statements.

Ms. MacLaurin asked how do you go about determining whether the 2% would be reasonable? Mr. Leonard replied that he reviewed the average inflation rate year to date and year over year. The year to date as of the end of September was 1.95% and the year over year was 2.03%.

Moved by Mike Sampson 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 2014. Motion Put and Passed.

6.6 Plan Member Feedback

Ms. White referred to the email in the Pension Committee package expressing a plan member's concern that the number of voting members of the Committee should be members of the Pension

Plan. The Plan Member was concerned that people were coming from other organizations with not much vested in the HRM Pension Plan and would not have an interest when making decisions.

Ms. Hilchey added that this issue came up at the last Annual General Meeting as well.

Mr. Sampson asked if a reply was sent to this person? Ms. White said a reply was sent and the person was informed that any member of the Committee has to be a Plan Member as well. It was discovered that one Committee Management Alternate was not a Plan Member. Ms. White also informed the Plan Member that she would bring their concerns to the Pension Committee.

Mr. Sampson also wondered if the reply should come from the Committee and not the Pension Office. The Committee decided that if the member required more information or wanted to meet with the Co-Chairs that could be arranged. In the meantime, the email reply from the Pension Office would be sufficient.

Mr. Traves added that there is a move across Canada in terms of competency based boards. A plan of HRM's size may want to consider this in future. He felt that the Pension Committee would still need strong representation from both management and unions.

7. OTHER BUSINESS

None

8. DATE OF NEXT MEETING – March 12, 2015.

Mr. B. Moore reminded the Committee of the special event at the Pension Office this evening with a meet and greet and presentation by Mark Wiseman, President and CEO of the CPPIB.

The In Camera meeting will be moved up to begin at 1:00 p.m.

Mr. MacDonald expressed his pleasure at having the opportunity to work with the Pension Committee as Co-Chair.

Mr. Bussey asked Ms. Troy if the funded status has changed since December 31, 2013? Ms. Troy replied that the estimated return for 2014 is ahead of target. The going concern funded status has likely improved due to the good investment returns. Decreasing long term interest rates in 2014 has negatively impacted the solvency funded ratio. Mr. Ireland estimates the solvency funded status to be approximately 60-65%. Contribution rates for the Plan are now solely based on the going concern funded status which is measured annually.

9. ADJOURNMENT

The meeting adjourned at 11:50 a.m.

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Bill Moore, Co-Chair