



Annual General Meeting

HRM Pension Plan | September 28, 2020

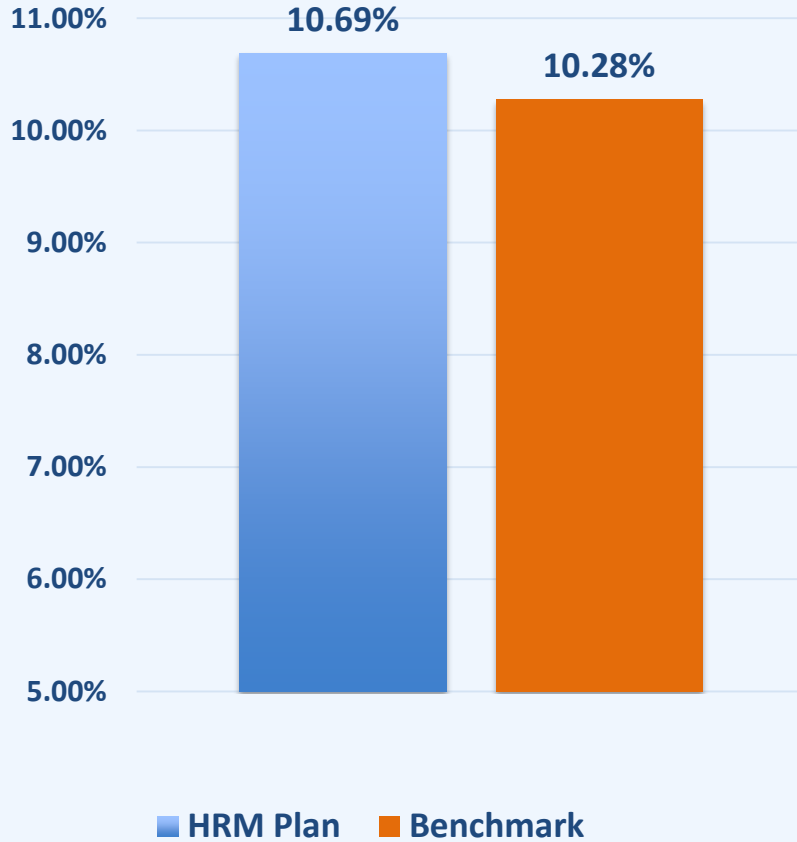
What we'll cover today

- 2019 Year in Review
- COVID-19 Operating Environment
- Looking Ahead – 2020 and Beyond

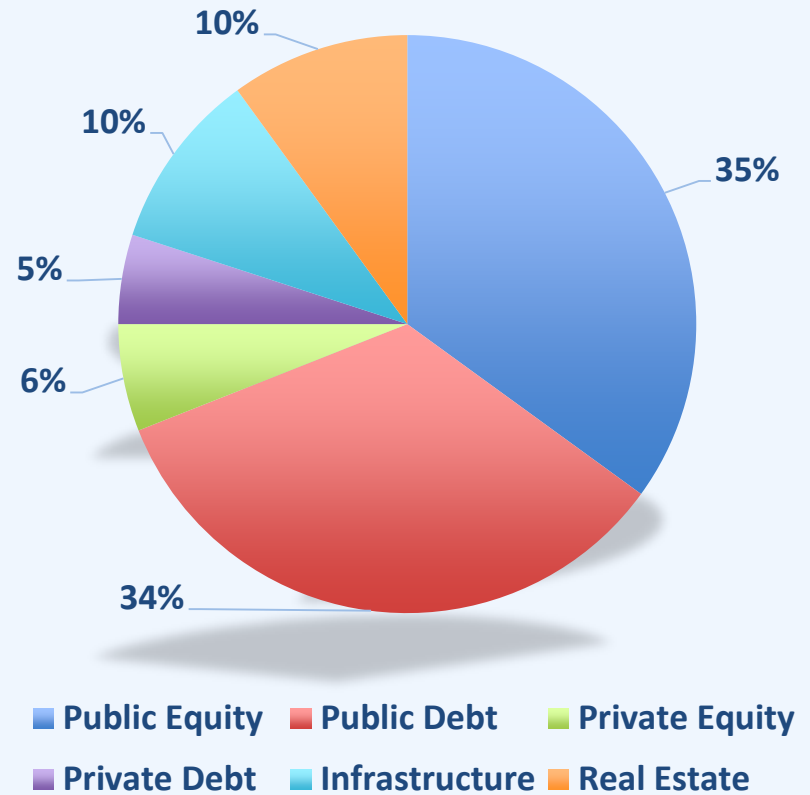
2019 Year In Review

2019 Year In Review – Asset Performance

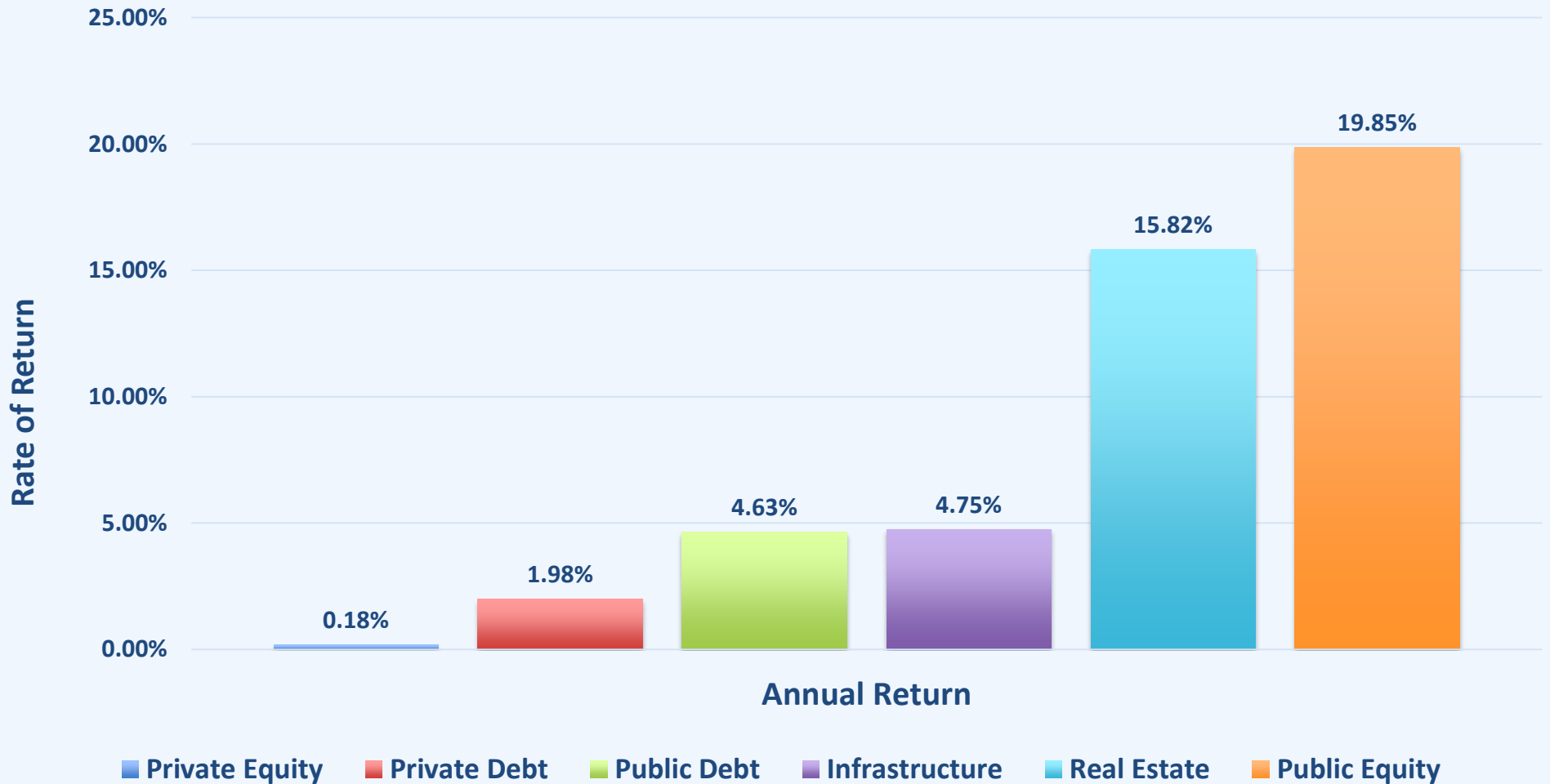
2019 Net Rate of Return



Portfolio Weighting December 31, 2019



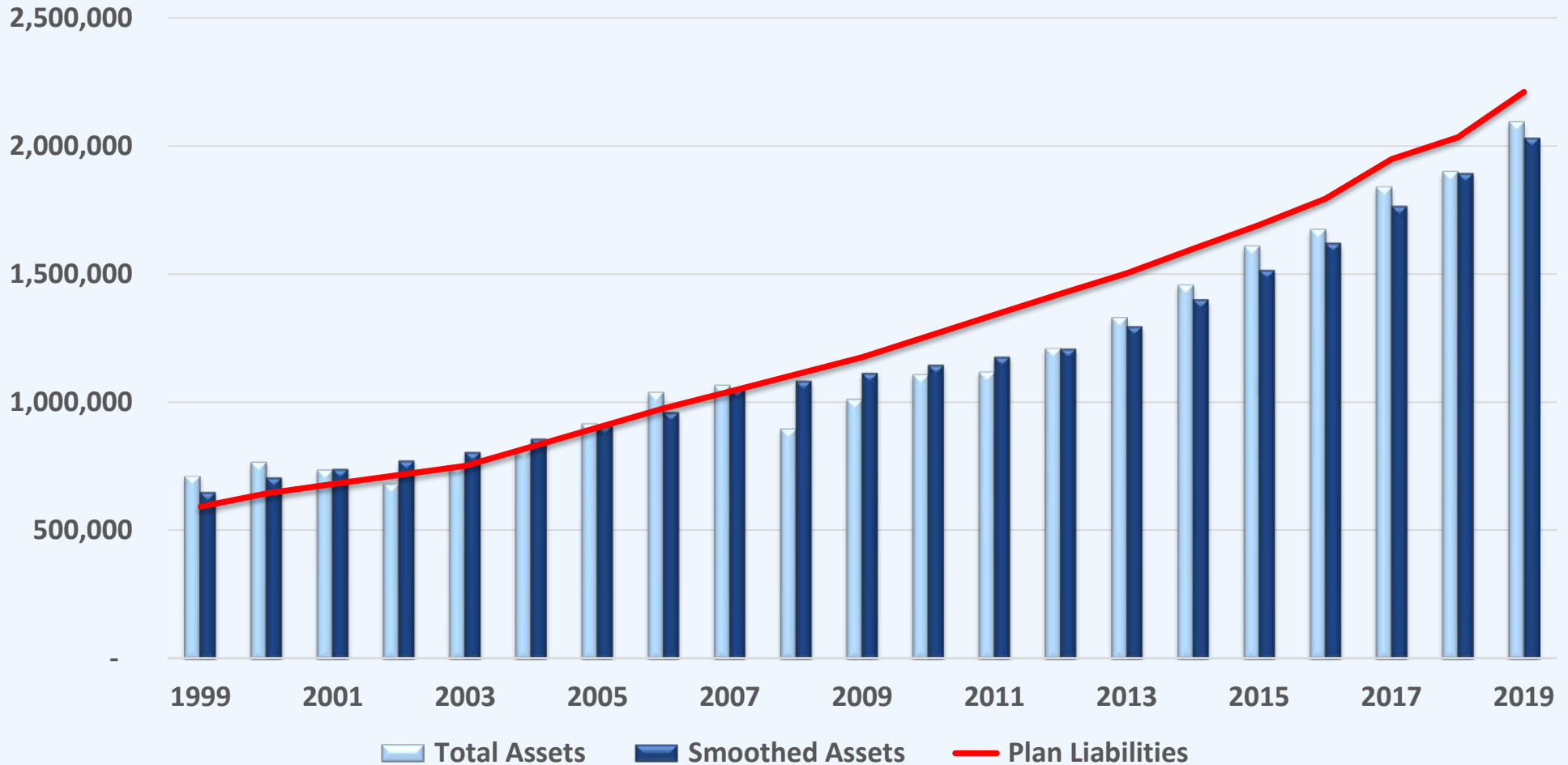
2019 Year In Review – Asset Performance



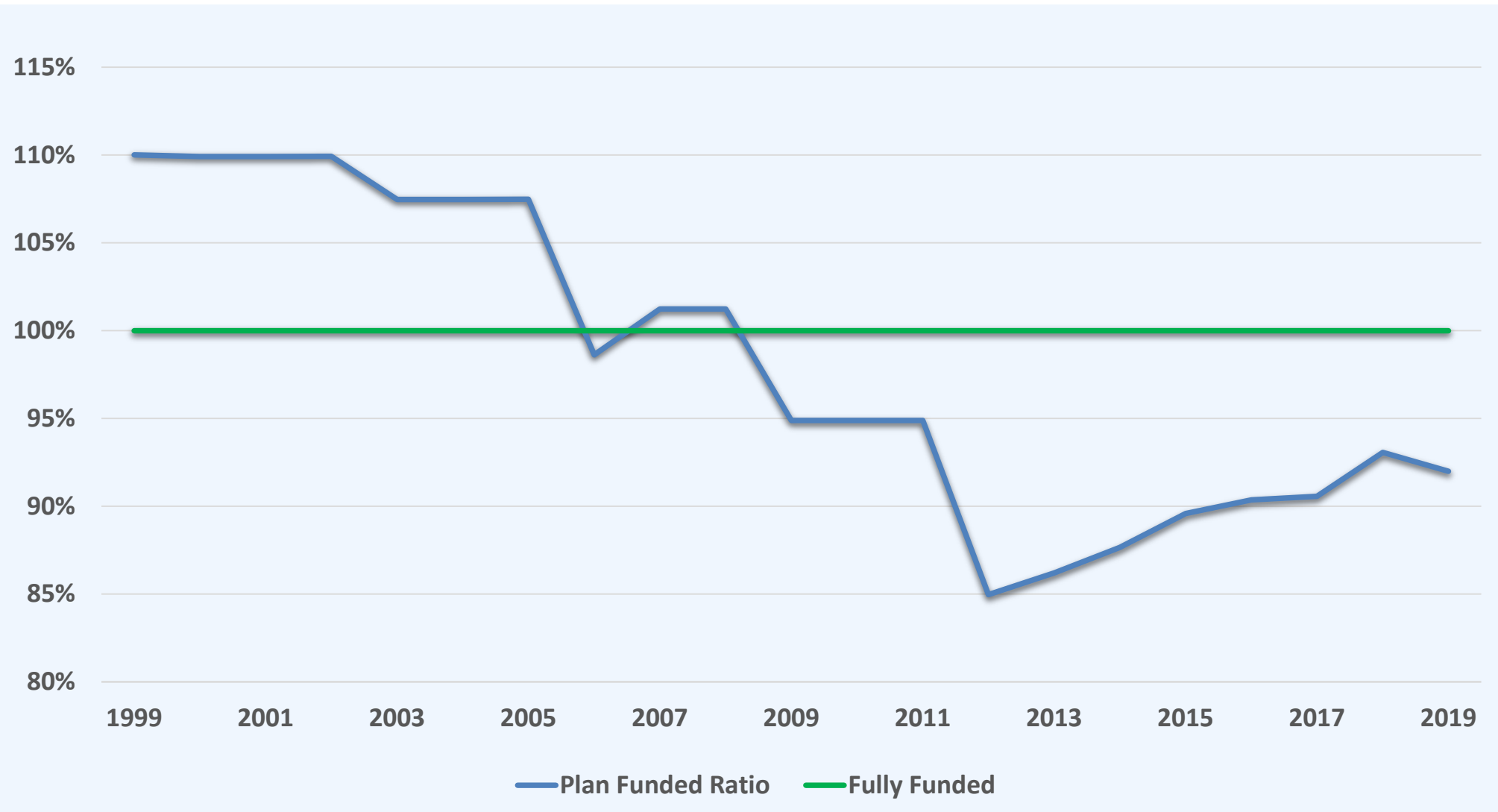
2019 Year In Review – Asset Performance

Asset Class	2019 Net Return	2018 Net Return	Since Inception Annualized Return
Public Equities	19.9%	-4.2%	8.6%
Public Debt	4.6%	2.5%	3.4%
Private Investments	8.4%	15.4%	12.9%
Total Portfolio	10.7%	3.8%	7.2%
Benchmark	10.3%	1.0%	5.7%
Value Add	0.4%	2.8%	1.5%

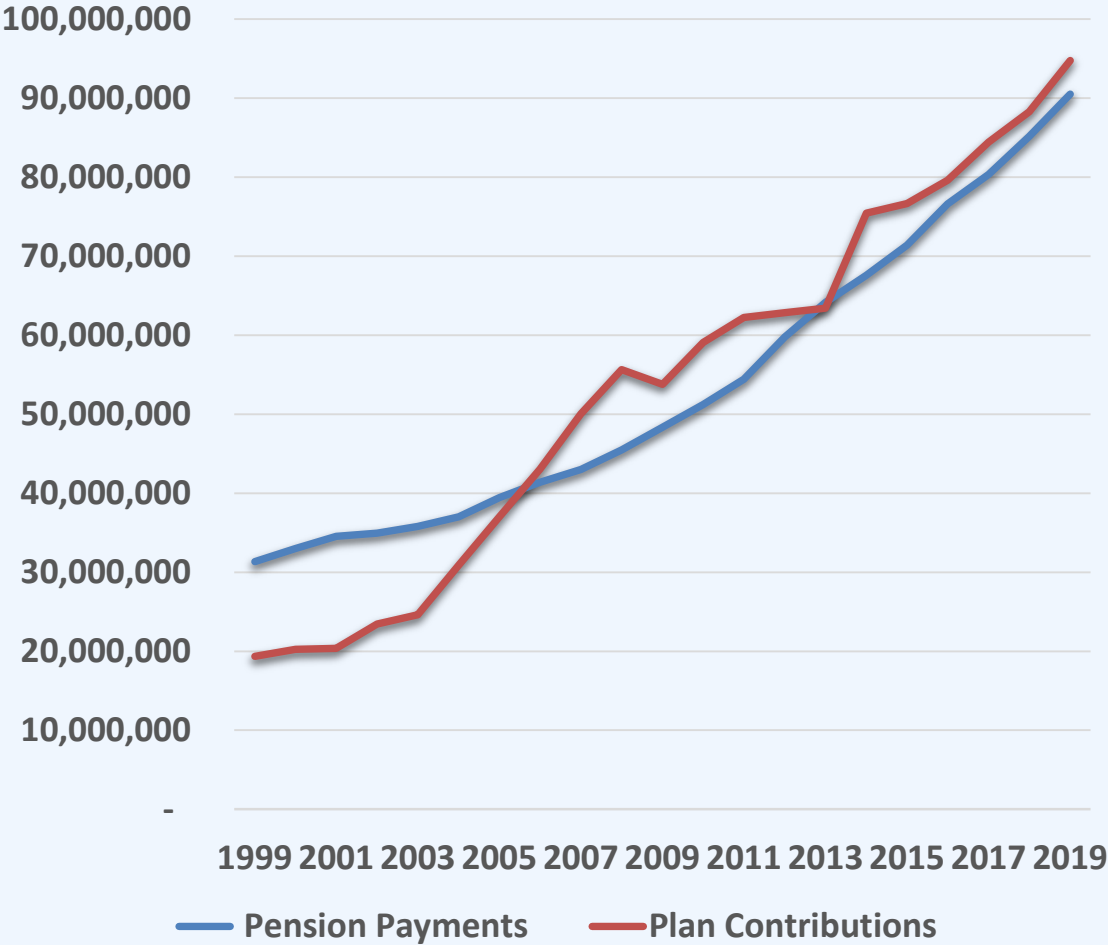
2019 Year In Review – Plan Liabilities (000's)



2019 Year In Review – Funded Ratio

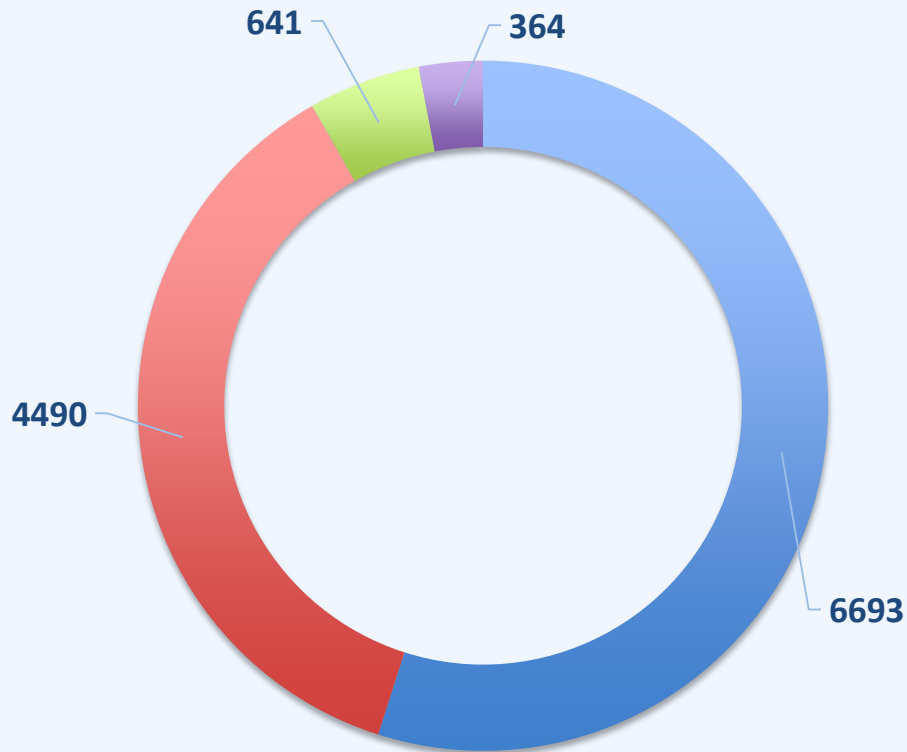


2019 Year In Review – Contributions & Benefit Payments



- Current contributions rates for employees and employers:
 - 12.21% for Non-PSO
 - 12.56% for most PSO
- Contributions used to fund the deficit and future benefit accruals
- Contributions to the Plan ~equal to pension payments from the Plan during the year (~\$90M each)

2019 Year In Review – Plan Membership



■ Active Members

■ Pensioners

■ Deferred Members

■ Members with Residual Rights

- Total Plan membership 12,188 (vs. 11,553 in 2018)
- 229 new retirees
- 768 new active members
- 5 retirees over the age of 100
- 60.0 – average retirement age
- 46.8 – average age of active members

2019 Year In Review – Member Services

- **Service Standards**
 - 947 calculations were processed – 99.5% compliance
 - Reviewed HRM service standards, ensuring they remain in line with industry best practice and peer groups
- **2019 Plan Member Satisfaction Survey**
 - Overall rating of 4.54/5 = “Excellent”
- **Member Engagement**
 - Electronic Communication focus
 - ~Doubled number of annual statements sent electronically
 - Offered 8 pension information sessions to plan members
 - Shift to virtual information sessions in 2020
 - New Plan website project started

2019 Year In Review – Plan Governance

- **Governance Structure**

- Governance review process initiated in 2016 was finalized during the year
- Changes made should allow the Plan to continue to operate effectively in the future

- **Long-term Planning Work**

- Objective to better understand how the Plan is likely to evolve over the long-term
- Provide insight into the long-term challenges facing the Plan and what must be done to appropriately manage them

- **Provincial Funding Regulation Changes**

- Provincial review of regulations continued during 2019 with final regulations released in early 2020
- Impact reflected in long-term planning work and December 31, 2019 valuation results

COVID-19 Operations

COVID-19 Operations – Pension Plan Office

- The Pension Plan Office has been working remotely since mid-March
 - Continue to process all member-related transactions
 - Very limited interruptions to service standards
 - Continue to meet all legislative filing requirements
- Effective October 5th, some Pension Office staff will return to the office
 - Office remains closed to external visitors – including Plan members
 - Additional staff likely to return to the office in the coming months
 - Will be guided by public health protocols

COVID-19 Operations – Plan Impact

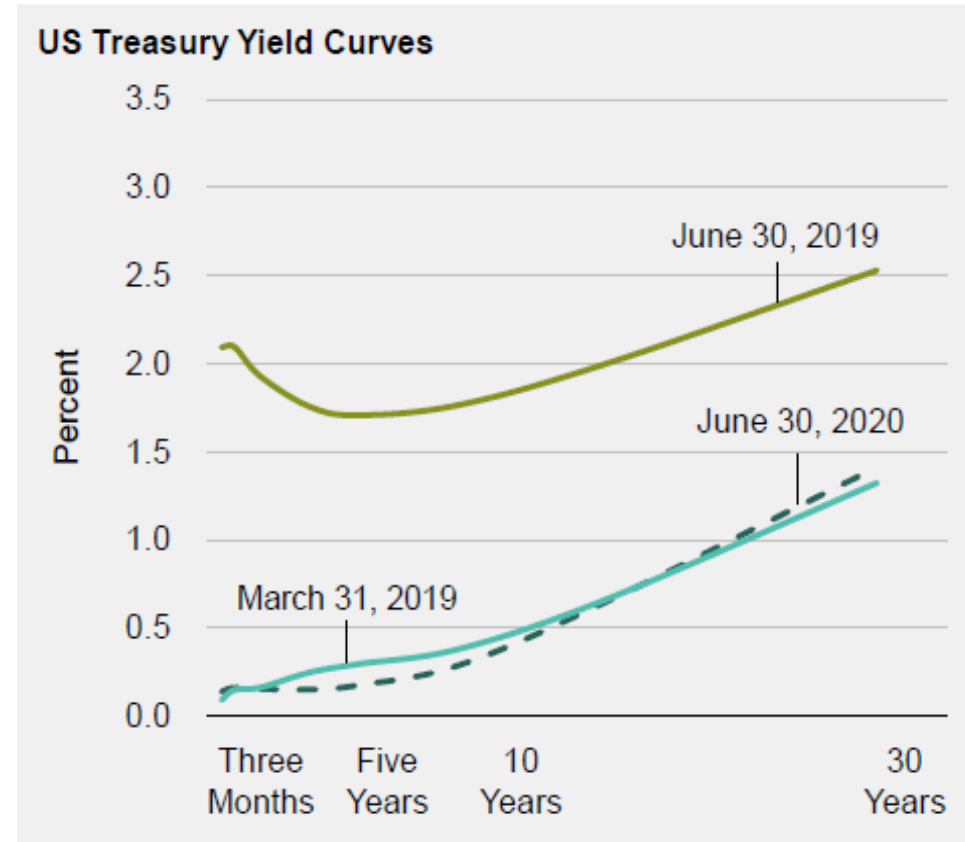
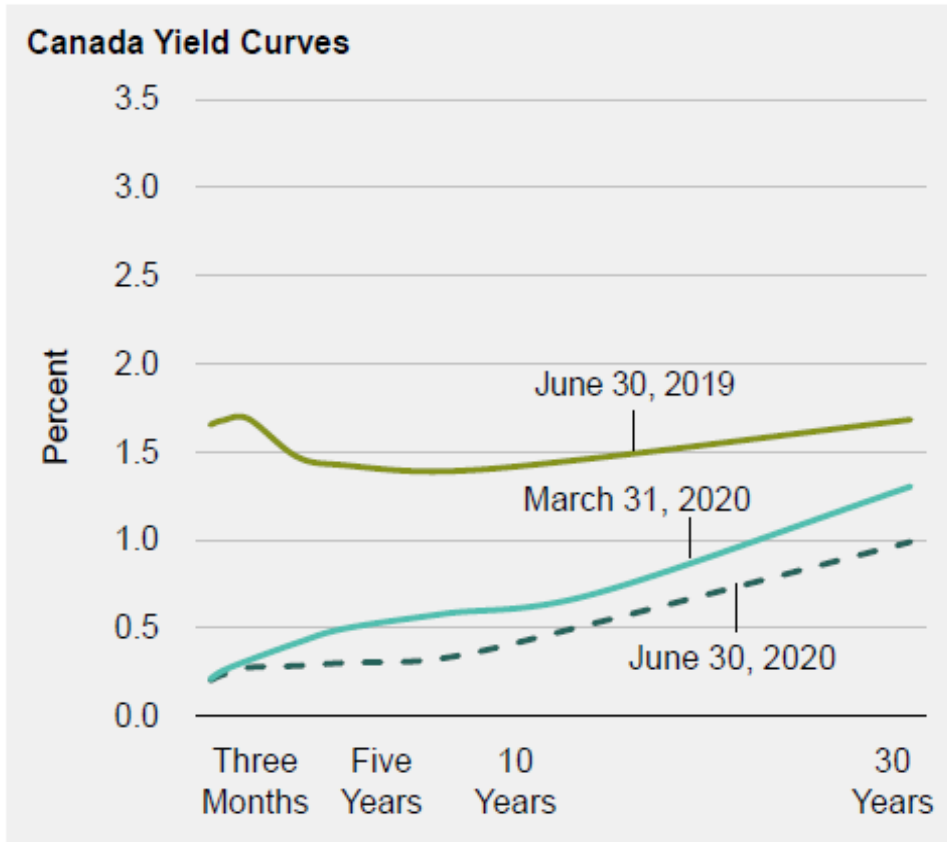
- Initially, COVID-19 had a major impact on financial markets
 - Markets bottomed out near the end of March
- Markets have since recovered, to some extent
 - Year-to-date investment return of ~1.00% for the Plan (as of Sep. 24th)
- Long-term impact of the pandemic on our Plan, and the economy as a whole, remains largely unknown
- We continue to monitor the situation to ensure we are able to properly respond to any future developments

COVID-19 Operations – Market Impact

	Year to Date Levels					Change	
	<u>Current</u>	<u>Peak</u>	<u>Peak Date Prior</u>	<u>Bottom</u>	<u>Bottom Date</u>	<u>From Peak</u>	<u>From Bottom</u>
		<u>Prior Crisis</u>	<u>Crisis</u>			<u>Prior Crisis</u>	
<i>S&P 500 (US\$)</i>	3500.31	3386.15	2/19/2020	2237.49	3/23/2020	3.37%	56.45%
<i>TSX (CAD\$)</i>	16514.44	17944.06	2/20/2020	11228.49	3/23/2020	-7.97%	47.08%
<i>Russell 2000 (US\$)</i>	1,561.88	1705.21	1/16/2020	991.16	3/18/2020	-8.41%	57.58%
<i>MSCI EM (US\$)</i>	1,101.50	1146.83	1/17/2020	758.20	3/23/2020	-3.95%	45.28%
<i>MSCI EAFE (US\$)</i>	1,909.99	2057.74	1/17/2020	1354.30	3/23/2020	-7.18%	41.03%
<i>U.S. IG Credit Spread</i>	136 bps	99 bps	1/20/2020	401 bps	3/20/2020	37 bps	-265 bps
<i>U.S. High Yield Credit Spread</i>	502 bps	338 bps	1/20/2020	1087 bps	3/20/2020	164 bps	-585 bps
<i>10y US Gov Bond yield</i>	0.70%	1.92%	1/31/2019	0.50%	3/09/2020	-122 bps	20 bps
<i>10y CAD Gov Bond yield</i>	0.62%	1.63%	1/08/2020	0.43%	8/04/2020	-101 bps	19 bps
<i>Oil (US\$)</i>	42.61	63.27	1/6/2020	10.01	4/21/2020	-32.65%	325.67%

Source: Bloomberg and ICE Bank of America indices (August 31, 2020)

COVID-19 Operations – Falling Interest Rates



As of June 30, 2020
Source: Bloomberg and AB

COVID-19 Operations – The Silver Lining?

- An acceleration of our digital strategies:
 - In-person member pension information sessions are not possible at this time
 - **However**, in July we successfully offered our first virtual pension information session
 - 32 attendees
 - Feedback gathered from the session has been very positive
 - Plan on offering more virtual information sessions in the future
 - Electronic communication has become more of the ‘norm’
 - Potential opportunity for improved office efficiencies, reduced paper waste and Plan expenses

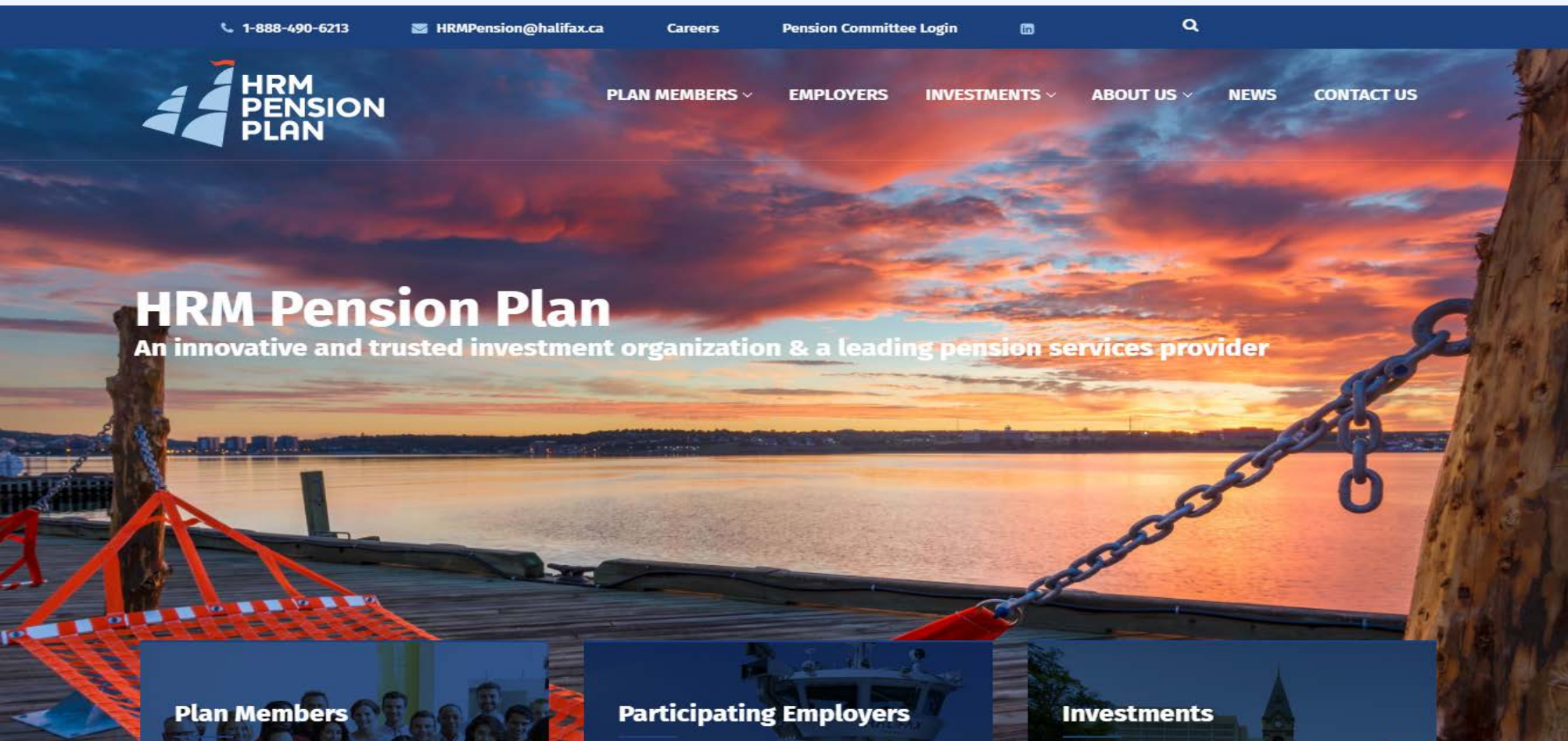
Looking Ahead – 2020 and Beyond

Looking Ahead - 2020

- 2020 will be unique
 - Remote operations for most of the year
 - Pension Office closed to external visitors
 - Market turbulence
- We continue to remain focused on providing excellent service to our members
 - Continue to process all member-related transactions
 - Several key projects are underway and expected to be completed during 2020

Looking Ahead – 2020 Key Initiatives

- **New Plan website**



Looking Ahead – 2020 Key Initiatives

- **Asset-Liability Study**
 - Goal to ensure we understand the risk/reward tradeoff in our investment portfolio
 - Develop a better understanding of the Plan's 'risk profile'
 - Improve the structure of our Statement of Investment Policies and Procedures and overall investment process



Looking Ahead – 2020 Key Initiatives

- **Long-Term Planning**

- Continue to explore the long-term risks the Plan is exposed to with a focus on;
 - Long-term average cost of the Plan
 - Long-term variability in the cost of the Plan
- Determine what actions must be taken to ensure the Plan is on a path to sustainability



Looking Ahead – 2020 Key Initiatives

- Cyber Security Risk assessment
- Progress towards a paperless operation with a focus on member engagement
- Develop a formal Statement of Investment Beliefs
- Identify an effective portfolio management system
- Continue to navigate the challenges related to COVID-19

Looking Ahead – Beyond 2020

- **Focus on:**

- Exceptional member service and engagement
- Strong investment performance
- Effective risk management
- Efficient Pension Office operations

- **Support:**

- Pension Committee with the overall governance of the Plan and the path to Plan sustainability

Questions?

