

HALIFAX REGIONAL MUNICIPALITY PENSION COMMITTEE MEETING
Thursday, March 30, 2023
Casino Nova Scotia, Compass Room & Microsoft Teams Hybrid Meeting
9:00 am – 12:45 pm

Members: John Traves, Management, Co-Chair
Dan White, IAFF, Co-Chair
Britt Wilson, Management
Mike Sampson, Management
Ray MacKenzie, ATU
Melanie Parker, NSGEU
Jerry Blackwood, Management
Steve Blackmore, CUPE
Renée Towns, Management
Greg MacKay, NUMEA
Jon Beer, HRP
Mark Hartlen, Retiree

Alternates: Jason Snow, HRP
R. Scott MacDonald, HRP
Andrew Bone, Retiree
Brett Hartlen, IAFF
Patricio Garcia, ATU
Jamy-Ellen Proud, NSGEU
Mike Matheson, NUMEA
Vicki Robertson, Management
Scott Chetwynd, CUPE
Jason Colville, ATU
Brian Leslie, Retiree
John MacPherson, Management
Chris Giddens, Management
Laura Power, Management
Kimberley Taylor, NSGEU

Participating Employers: Cathy Maddigan, Halifax Public Libraries
Angela Martell, HRCE
Heather Britten, Halifax Water

Staff: Paula Boyd, Acting CEO
Mark Whidden, Director, Pension Management
Matt Leonard, Director, Finance & Operations
Darin Eddy, Director, Public Markets
Vishnu Mohanan, Director, Private Investments
Lisa Tanner, Director, Plan Member Services
Krista Tinslay, Executive Assistant

Guests: Philip Churchill, Eckler
Mary Kate Archibald, Eckler

An In-Camera meeting was held on March 28, 2023 from 5:00 pm – 6:00 pm.

1. CALL TO ORDER

Mr. White called the meeting to order at 9:03 am.

Mr. White reviewed the changes to the HRM Pension Committee membership and welcomed new members to the Committee representing NSGEU - Melanie Parker as Voting, Jamy-Ellen Proud and Kimberley Taylor as alternates.

2. LAND ACKNOWLEDGEMENT

Mr. White acknowledged that the meeting was taking place on the traditional and ancestral territory of the Mi'kmaq people.

3. APPROVAL OF AGENDA

Mr. White asked if any additions needed to be made to the agenda; no points were raised.

Moved by Ray MacKenzie, and seconded by Renée Towns, to approve the agenda as presented. Motion put and passed.

4. APPROVAL OF MINUTES, December 8, 2022

Moved by Steve Blackmore, and seconded by Britt Wilson, to approve the December 8, 2022 minutes as presented. Motion put and passed.

5. OFFICE UPDATE

5.1. Pension Office

Ms. Boyd presented a summary of the performance of the Pension Office during the 2022 year, and reviewed initiatives and projects that have been identified for 2023. Ms. Boyd also presented information on the current Pension Plan office structure, noting recruitment efforts for a Senior Investment Associate, and the upcoming retirement of Lisa Tanner, Director of Plan Member Services.

No further discussion items were brought forward.

5.2. Investments

Mr. Eddy noted that the structure of the CEO report has been updated, in an effort to streamline the reporting format for the Committee, while still keeping core elements. He then reported on investment results from both the 4th Quarter of 2022 and year end.

Mr. Mohanan presented the results for the Private Market investments, and provided a summary of why the Private Markets did so well in 2022 compared to the Public Markets.

Mr. Eddy then reviewed the current asset allocation, and shared thoughts about how the allocations will be impacted once the Asset Liability Modeling project is underway.

Mr. Mohanan concluded the presentation with information on recent investment activity and provided the Committee with more in depth information on two of the investments.

No further discussion items were brought forward.

5.3. Plan Member Services

Ms. Tanner presented the Service Standards report for Q4 2022 to the Committee. Ms. Tanner noted that a large number of calculations were performed in Q4, with service standards at 98.8%.

Ms. Tanner then presented the Service Standards report for the year 2022. A record number of calculations were performed in 2022, with overall service standards compliance at 99.6%, compared to 99.7% in 2021 and 97.7% in 2020.

Ms. Tanner presented information on the 2022 Plan Member Satisfaction Survey results. She noted that while survey response rates have declined slightly, overall ratings continue to be “Excellent”.

Seven member information sessions were held in 2022, with 4 held virtually, and 3 held in-person. Virtual sessions continue to be well received, but membership has noted a desire to return to in-person meetings.

Ms. Tanner reviewed improvements being made to the Pension member’s digital experience, including the recent launch of the Retiree Website with Northern Trust where pensioners can update their banking and tax information themselves. An update to the Employee Self Service website related to Beneficiary and Spouse status has just launched. A communication to members is in process.

Ms. Tanner reviewed statistics related to member usage of the Employee Self Service functionality of the HRM Pension Plan website.

No further discussion items were brought forward.

6. GOVERNANCE REVIEW

Mr. White noted that the Committee is responsible to review these policies on a regular basis.

6.1. Committee Self-Monitoring

- 6.1.1. Process
- 6.1.2. Performance

6.2. Governance Policy Review

- 6.2.1. Chief Governance Officers' Role
- 6.2.2. Committee Members' Code of Conduct/Privacy Policy

Mr. White presented suggested changes to the Committee Members' Code of Conduct, noting that changes were fairly minor in terms of grammar and sentence structure.

Discussion ensued surrounding the change of wording in section 4 (b) and (g) of the code to "and their beneficiaries" from the use of "applicable beneficiaries", which is specific to the Pension Plan. It was agreed that "applicable beneficiaries" is the correct terminology to use.

Moved by John Traves, and seconded by Mike Sampson, to approve the changes to the Committee Members' Code of Conduct as amended. Motion put and passed.

6.3. Governance Policy Review – Committee-Management Delegation

- 6.3.1. Monitoring CEO Performance

6.4. Ends

- 6.4.1. ENDS Statement

6.5. Governance Policy Review – Executive Limitations

- 6.5.1. Global Executive Constraint
- 6.5.2. Treatment of Plan Members
- 6.5.3. Treatment of Staff
- 6.5.4. Financial Condition and Activities

Mr. Leonard presented suggested changes to the Financial Condition and Activities policy.

Moved by Melanie Parker, and seconded by Ray MacKenzie, to approve the changes to the Financial Condition and Activities policy as presented. Motion put and passed.

Ms. Boyd noted an error in the wording in item #2 of the policy and that it should actually read:

“The CEO will not allow a net plan return achieved on a 4 year basis to be less than the policy benchmark.”

Moved by John Traves, and seconded by Britt Wilson to accept the Financial Condition and Activities policy as amended.

6.5.5. Investment

6.5.6. Communication and Support to the Committee

No further discussion items were brought forward.

7. TRAINING & EDUCATION UPDATE

On behalf of the Training & Education Sub-Committee, Mr. Bone reported that requests for training have significantly increased so far in 2023 and encourages all Committee members to look at available programs.

Mr. Bone also noted that while there are no changes to the Training and Education Policy being suggested for 2023, the Training & Education Sub-Committee will be conducting a review of the amounts currently allotted to individual training budgets – registration fees and travel costs have increased, and the Sub-Committee needs to determine if individual budgets need to increase as well.

Moved by Steve Blackmore, and seconded by Ray MacKenzie, to approve the Training and Education Policy as presented. Motion put and passed.

No further discussion items were brought forward.

8. PENSION UPDATE

8.1 Education Session – Asset Smoothing and Discount Rate Setting

Mr. White welcomed Mary Kate Archibald and Philip Churchill from Eckler to the meeting. Ms. Archibald led an education session on Asset Smoothing and Discount Rate Setting, and how those pieces relate to a Defined Benefit pension plan, such as the HRM Pension Plan.

8.2 Preliminary Valuation, Discount Rate, Margin Discussion and Filing Strategy

Mr. Churchill presented the preliminary results to December 31, 2022.

Mr. Churchill reported that the Nova Scotia *Pension Benefits Act* requires plans exempt from solvency funding only have to file actuarial valuations every three years - where the Valuation from December 31, 2021 has been filed, the HRM Pension Plan is not obligated to file a valuation to December 31, 2022.

Preliminary results for 2022 are favourable for the Plan with an increase in the Funded Ratio to 103.2%. This eliminates the need for any minimum special payments to cover unfunded liabilities in 2023.

Eckler is suggesting three changes in the assumptions used for the December 31, 2022 valuation:

1. Increase the Discount Rate from 6.45% to 6.65%
2. Increase in the Earnings assumption from 2.75% to 2.85%
3. Increase in the Disability assumption from 0.25% of payroll to 0.30% of payroll

Mr. Churchill stated that with these changes to the assumptions the Plan is projected to meet the goal of having a 10% margin (based on smoothed assets as at December 31, 2022). However, given the current economic uncertainties there continues to remain a reasonable probability that the Plan will be unable to maintain this margin into the future. He suggested continuing to monitor this on a go forward basis.

Discussion ensued on the funding position of the Plan, the increase in the discount rate, the margin target of 10%, and the valuation filing option.

Mr. Churchill reiterated that the HRM Pension Plan is not required to file a formal valuation as at December 31, 2022, but performing the valuation would provide up to date information on the financial position of the Plan, identify trends emerging in the data, confirm that the current contributions will be acceptable for an additional 12 months, and it's also good governance practice.

Moved by Ray MacKenzie and seconded by Britt Wilson, to advise Eckler to prepare the Actuarial Valuation based on the assumptions presented as at December 31, 2022. Motion put and passed.

No further discussion items were brought forward.

9. ENTERPRISE RISK MANAGEMENT UPDATE

Mr. Whidden provided an update on the Enterprise Risk Management (ERM) initiative that was first undertaken by the Pension Office in 2021.

Mr. Whidden then presented a deep dive on two of the identified risks, Plan Demographics and Insurance.

Discussion ensued on the Plan's demographics with regards to the average hiring age, the impact of baby boomers passing away, retirees returning to work for HRM, and longevity.

In the insurance section, Mr. Bone asked for clarification on how the cybersecurity insurance policy was chosen – Mr. Leonard noted that the Pension Office consulted insurance experts and the policy was recommended based on the size of the HRM Pension Plan, the number of members and the type of coverage required.

No further discussion items were brought forward.

10. FUNDING POLICY REVIEW & UPDATE

Ms. Boyd provided a brief overview of the draft Funding Policy document that was previously discussed at the December 2022 Committee Meeting.

The Funding Policy is meant to be a guiding principle document which sets out three objectives of the Pension Plan:

1. To provide current and future members their promised benefits.
2. To protect the funded position of the Plan against adverse market conditions and risks.
3. To keep contribution rates manageable, reasonable and not overly volatile.

Since this document was originally shared with the Committee, several small amendments were suggested by Committee members.

- Funding Strategy
 - o Under the Actuarial Analysis heading, it is being suggested that an Asset Liability (ALM) study be conducted every 3-5 years. This is an industry standard for an ALM study, and it is being recommended that the HRM Pension Plan change that criteria to conduct an ALM study every 3 – 7 years to allow for more flexibility.

- Benefit Security Margin
 - o Clarification on the term “legislated margin” – the terminology will be updated to read “the legislated margin as indicated in the Nova Scotia Pension Benefits Act” to clarify what the legislative margin is.

- Contribution Stability
 - o Further define the limit on contribution increases by adding “for each party” at the end of the following sentence:
 - “The Committee will make every attempt to limit both employee and employer contribution increases to no more than 0.5% per year **for each party.**”

Moved by John Traves and seconded by Britt Wilson, to approve the Funding Policy as presented including the amendments as discussed. Motion put and passed.

No further discussion items were brought forward.

11. INVESTMENTS

11.1 Benchmarking Update

Mr. Eddy briefly reviewed the Benchmarking recommendations as previously presented at the December 2022 Committee meeting. At that meeting, the Committee deferred the approval of the changes to the DB Statement of Investment Policies and Procedures (DB SIPP) until they had additional information from the Pension Office.

Mr. Eddy then reviewed the updated recommended changes to the benchmarking.

11.2 DB SIPP Changes

No further discussion items were brought forward.

Moved by Britt Wilson and seconded by Steve Blackmore, to approve the DB SIPP dated March 30, 2023 with the benchmarking updates as presented. Motion put and passed.

11.3 Annual Approval of DC SIPP

Mr. Whidden provided an update on two Defined Contribution (DC) legacy plans that the Committee is responsible for administering.

A formal DC Statement of Investment Policies & Procedures (SIPP) is not required to be filed with the Nova Scotia Pension regulator, but it remains good practice to have the document in place and keep it up to date for the remaining members.

No further discussion items were brought forward.

Moved by Ray MacKenzie and seconded by Melanie Parker, to approve the DC SIPP dated March 30, 2023 as presented. Motion put and passed.

12. TERM OF JOHN TRAVES AS CO-CHAIR EXPIRES JUNE 8, 2023

Mr. White asked if Mr. Traves would like to continue as Co-Chair; and Mr. Traves agreed. There were no other nominations.

Moved by Britt Wilson, and seconded by Renée Towns, to renew Mr. Traves' position as Co-Chair for another term. Motion put and passed.

13. OTHER BUSINESS

13.1. Audit Sub-Committee – Request for Voting Member

Mr. White noted that the Audit Sub-Committee is looking for a Voting representative from the Committee to fill its complement. Ms. Parker expressed interest in returning to the Audit Sub-Committee.

Moved by Ray MacKenzie, and seconded by Steve Blackmore, to appoint Melanie Parker to the Audit Sub-Committee. Motion put and passed.

No further business was brought forward. The next Committee meeting is scheduled for June 8, 2023, and the Annual General Meeting for June 12, 2023.

14. ADJOURNMENT

Moved by Melanie Parker to adjourn the meeting at 12:45 pm. Meeting adjourned.



Dan White, Co-Chair