

HALIFAX REGIONAL MUNICIPALITY PENSION COMMITTEE MEETING
Thursday, March 28, 2024
Casino Nova Scotia, Compass Room & Microsoft Teams Hybrid Meeting
9:00 am – 1:00 pm

Members: John Traves, Management, Co-Chair
Dan White, IAFF, Co-Chair
Britt Wilson, Management
Melanie Parker, NSGEU
Jon Beer, HRP
Greg MacKay, NUMEA
Mark Voisin, CUPE
Rob Ritchie, Management
Jerry Blackwood, Management

Alternates: Jason Snow, HRP
Andrew Bone, Retiree (acting for Mark Hartlen)
Jamy-Ellen Proud, NSGEU
Vicki Robertson, Management
Jason Colville, ATU
Patricio Garcia, ATU (acting for Raymond MacKenzie)
Laura Power, Management
Kimberley Taylor, NSGEU
Dan Axford, IAFF
Christopher Giddens, Management
John MacPherson, Management
Mike Sampson, Management
Scott MacDonald, HRP
Brian Leslie, Retiree
Mike Matheson, NUMEA

Participating Employers: Angela Martell, HRCE
Cathy Madigan, Halifax Library
Steve Vincent, Oceanview
Heather Britten, Halifax Water

Staff: Paula Boyd, Acting CEO
Matt Leonard, Director, Finance & Operations
Darin Eddy, Director, Public Markets
Vishnu Mohanan, Director, Private Markets
Marisa Tobin, Senior Manager, Plan Member Services
Lisa Tanner, Director, Plan Member Services
Daniel Hashem, Investment Associate, Private Investments
Megan Martin, Associate Portfolio Manager, Private Investments
Carolyn Jolly, Senior Consultant
Krista Tinslay, Executive Assistant

Guests: Philip Churchill, Eckler
Corinne Carey, NSGEU

An In-Camera meeting was held on March 20, 2024 from 10:00 am – 11:45 am.

1. CALL TO ORDER

Mr. White called the meeting to order at 9:01 am.

Mr. White reviewed the changes to the HRM Pension Committee membership and noted that Renée Towns had recently retired, leaving a vacancy on the Management voting roster – a new appointment is expected shortly.

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 Jon Beer, and seconded by Mark Voisin, to approve the agenda as presented. Motion put and passed.

4. APPROVAL OF MINUTES, December 7, 2023

Moved by John Traves, and seconded by Jon Beer, to approve the December 7, 2023 minutes as presented. Motion put and passed.

5. OFFICE UPDATE

5.1. Pension Office

Ms. Boyd noted that the Q&A document was distributed yesterday and asked that any further discussion and/or questions resulting from that document be directed to Pension Office Staff for response.

Ms. Boyd began her review of 2023 by confirming that the annual return for the Plan was 9%, and the Funded position of the Plan had also improved, which overall is a good result for the year.

Ms. Boyd then presented a summary of the performance of the Pension Office during the 2023 year, and reviewed initiatives and projects that have been identified for 2024. Ms. Boyd also presented information on the current Pension Office structure, noting recent additions to both the Investment and Plan Member Services teams.

No further discussion items were brought forward.

5.2. Investments

5.2.1. Investment Update

Mr. Eddy reviewed with the Committee investment market themes and the Plan's quarterly and year to date investment performance as of December 31, 2023.

Mr. Mohanan then reported on recent Investment Manager and Co-Investment activities and provided information on Private Market returns realized in 2023.

Mr. Mohanan provided information on the proposal to remove the 15% Private Equity cap as outlined in the Defined Benefit Statement of Investment Policies and Procedures.

In response to a question from Mr. Bone, Mr. Mohanan confirmed that the recommendation to remove the Private Equity cap was driven by the asset liability study conducted in 2023.

Mr. Ritchie commented that where Private Equity behaves very differently, he'd be more comfortable with increasing the cap versus removing it completely. Mr. Wilson agreed with Mr. Ritchie's comment to increase the cap.

Mr. Traves commented that there is a need to provide the Committee with more information and analysis leading into the Fall prior to the annual approval of the Statement of Investment Policies and Procedures at the December Committee meeting.

Mr. Mohanan confirmed that this information was provided as background, and that a recommendation for change is not being made at this time. The Pension Office will issue a recommendation and provide additional information in advance of the December meeting.

No further discussion items were brought forward.

5.2.2. Canadian Equities Overview

Mr. Eddy provided the Committee with a review of the Canadian Equity market, and noted what allocation the HRM Pension Plan currently has in those equities.

No further discussion items were brought forward.

5.3. Plan Member Services

Ms. Tobin presented the Service Standards report for Q4 2023 to the Committee. Ms. Tobin noted that calculations continue at a high rate, with 284 calculations performed in Q4, with service standards at 98.6%.

Ms. Tobin then presented the Service Standards report for the year 2023. A total of 1,096 calculations were performed in 2023, with overall service standards compliance at 99.3%.

Ms. Tobin presented information on the 2023 Plan Member Satisfaction Survey results, which showed an overall rating of “Excellent”.

Three Plan member information sessions were held virtually in 2023, plus 1 in-person session. In 2024 an effort will be made to incorporate more in-person sessions.

Ms. Tobin reviewed improvements made to the member’s digital experience in 2023, including the launch of a Retiree Website, an update to the Employee Self Service website related to Beneficiary and Spouse status and the addition of a Multi-Factor Authentication protocol to the Employee Self Service website.

Ms. Tobin reviewed statistics related to member usage of the Employee Self Service website during 2023.

Ms. Tobin ended with providing an update on the project of paying out the outstanding residual amounts.

Mr. Sampson requested information on how someone would request an information session for a specific group of employees. Ms. Tobin noted that there is set criteria for those specific requests, including that there must be a minimum of 20 employees, the session has to be offered to all members of the employee group, and the request has to come from a member of Senior Management or a Director of that department.

No further discussion items were brought forward.

6. GOVERNANCE REVIEW

6.1. Committee Self-Monitoring

6.1.1. Process

6.1.2. Performance

6.2 Governance Policy Review – Governance Process

6.2.1 Chief Governance Officers’ Role

6.2.2 Committee Members’ Code of Conduct/Privacy Policy

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
- 6.5.5 Investment
- 6.5.6 Communication and Support to the Committee

Mr. White noted that the Committee is responsible for reviewing these policies on a regular basis; however, no changes to the policies are being suggested at this time.

No further discussion items were brought forward.

7. TRAINING & EDUCATION UPDATE

7.1. Annual Training and Education Policy Review

On behalf of the Training & Education Subcommittee, Mr. Bone noted that the Subcommittee had met on February 23rd to review the current Training and Education Policy. Minor changes and additions to the policy are being suggested, along with an increase in individual training budgets.

Moved by Britt Wilson, and seconded by Mark Voisin, to approve the Training and Education Policy as presented. Motion put and passed.

7.2. Training & Education Budget

Mr. Bone reviewed the Training & Education Budget expenditures to date and reported that there are a number of opportunities for both training programs and conferences available in 2024.

Mr. Bone noted that the Training & Education Subcommittee is available to discuss any training opportunity, and if there are programs not included in the suggested list but are of interest, they would be happy to review those programs and make a recommendation.

7.3. Upcoming Training Programs

Mr. Bone encouraged all Committee members to look at the annual calendar and continue to focus on their training. The Subcommittee does suggest alternating between conferences and certification programs each year to ensure that Committee members take the time to absorb learned materials and apply them before embarking on additional certifications.

8. PENSION UPDATE

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

Mr. Churchill presented the Committee with the preliminary valuation results as at December 31, 2023.

Mr. Churchill reported that the Nova Scotia *Pension Benefits Act* requires that plans exempt from solvency funding only have to file actuarial valuations every three years - where the valuation from December 31, 2022 has been filed, and the solvency concerns ratio is above 85%, the HRM Pension Plan is not obligated to file a valuation as at December 31, 2023.

Preliminary results for 2023 are favourable for the Plan with an increase in the Funded Ratio to 105.6% (an increase from 103.5% in 2022). This eliminates the need for any minimum special payments to cover unfunded liabilities in 2024.

Based on the recent changes to the asset mix, Eckler has calculated a change in the Provision for Adverse Deviation (PfAD), increasing it from 7.0% to 7.4%.

Mr. Churchill stated that with the changes to the asset mix as incorporated, the Plan has met the goal of having a 10% margin (based on smoothed assets as at December 31, 2023).

Ms. Boyd noted that the 10% margin can be deceiving – at this point, the Plan is in a position where special payments are not legislatively required to be made into the Plan. However, the Committee needs to keep in mind is that legislation requires the Plan to be funded up to the 7.4% PfAD. Special payments will need to be reinstated if the funded position drops below that 7.4% threshold – a difference of only 2.6%, not 10%.

Mr. Churchill also reported that based on current contribution rates, the Plan is projected to meet the goal of having the 10% target in place by December 31, 2027. He provided the Committee with a projected financial position showing a funded ratio of 108.8% as at December 31, 2027.

Mr. Churchill reiterated that the HRM Pension Plan is not required to file a formal valuation as at December 31, 2023, 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 John Traves and seconded by Britt Wilson, to advise Eckler to prepare the Actuarial Valuation based on the assumptions presented as at December 31, 2023. Motion put and passed.

No further discussion items were brought forward.

8.2 Contribution Rate Discussion

Mr. Churchill reviewed information on the Plan's current contribution rates, and the minimum and maximum limits as set out in the Income Tax Act and Regulations, and the NS Pension Benefits Act and Regulations. Other considerations that need to be taken into account are the requirements as noted in the HRM Pension Plan Text, as well as in the Plan's Funding Policy.

As part of the Asset Liability Study performed in 2023, a reduction in Contribution Rates was tested in several different scenarios to determine the probability of having to increase rates again within the next 5 years.

In summary, based on the preliminary Valuation results, all of the Legislative requirements, Plan Text requirements, and Funding Policy requirements will have been met, and the Committee could potentially decrease contributions rates. Should the Committee elect to decrease contributions, a decision needs to be made prior to the June meeting in order to meet the Fundamental Change requirements as laid out in the Plan Text.

Mr. Bone asked for clarification on when the Regulatory bodies would require Contribution Rates to decrease – Mr. Churchill noted that the Plan would need to be 100% funded on a Wind-Up basis in order for contributions to be reduced to a level no greater than the normal cost.

Mr. Sampson asked for clarification on the probability of achieving the targeted 10% margin as at December 31, 2027 if contribution rates were reduced. Mr. Churchill confirmed that the probability numbers as noted in the presentation were based on scenarios where investment returns are dramatically less than expected.

Mr. Traves noted that the Committee is being asked if they would like to have a discussion on lowering contribution rates. If that is the case, discussion with sponsors will need to take place in the immediate future.

The Committee had some conversation on the impact of providing contribution rate reductions and ad-hoc pensioner increases.

An informal poll of Committee members was conducted, and it was agreed that a special meeting to discuss contribution rate decreases would be preferred.

Ms. Boyd noted that the information provided by Eckler as well as the information included in the Q&A document will assist Committee members with their decision. Ms. Boyd also noted that there is no requirement to lower the Contribution Rates at this time.

Moved by Britt Wilson and seconded by Andrew Bone to schedule a special meeting of the Pension Committee to further discuss the Plan's Contribution Rates. Motion put and passed.

More information on the date and time of this meeting will follow from the Pension Office. A package of materials will also be provided for discussion.

No further discussion items were brought forward.

9. ENTERPRISE RISK MANAGEMENT

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

Ms. Boyd noted that two more risk assessments had been completed – Long-Term Sustainability and Asset Liability Mismatch. Ms. Boyd reviewed the framework and process used to review these risks, followed by a deep dive into the results of the risk assessments.

No further discussion items were brought forward.

10. INVESTMENTS

10.1. **Defined Contribution Statement of Investment Policies & Procedures (DC SIPP)**

Mr. Leonard reviewed the DC SIPP and noted that no changes were being suggested for 2024.

No further discussion items were brought forward.

Moved by John Traves and seconded by Jon Beer to accept the DC SIPP as presented. Motion put and passed.

11. BENCHMARKING

Ms. Boyd reported that the Pension Office had recently contracted CEM Benchmarking to benchmark the Plan's investment expenses against a selection of Canadian pension plans. The focus of the exercise was on benchmarking 2022 investment expenses against the peer benchmark group across public and private asset classes.

The results of this exercise were that we did pay higher fees than our peer benchmark group but we achieved significantly higher returns and added the highest net value in the peer group.

The Pension Office will continue to closely monitor both management and performance fees and look for areas to reduce fees, where possible.

No further discussion items were brought forward.

12. CO-CHAIR UPDATE

12.1. Term of John Traves Expires June 8, 2024

Mr. Wilson nominated John Traves to continue as Co-Chair for another year. Mr. Traves accepted the nomination. There were no other nominations.

Moved by Britt Wilson, and seconded by Mark Voisin, to renew John Traves' position as Co-Chair for another term. Motion put and passed.

13. OTHER BUSINESS

No further business was brought forward. The Committee was reminded of the 2024 meeting schedule.

Upcoming Pension Committee meeting dates for 2024:

Special Meeting – Contribution Rate Discussion – date and time to be confirmed

June 13, 2024 (hybrid)

AGM – June 17, 2024 (virtual only)

14. ADJOURNMENT

Moved by Greg MacKay to adjourn the meeting at 1:00 pm. Meeting adjourned.



Dan White, Co-Chair