

**HALIFAX REGIONAL MUNICIPALITY
PENSION COMMITTEE MEETING
Thursday, September 20, 2018
Casino Nova Scotia, Schooner Room
1983 Upper Water Street, Halifax, NS
9:00 a.m. – 3:00 p.m.**

MEMBERS:

Andrew Bone, NSUPE
Dwayne Tattrie, CUPE 108
Rick Dexter, NUMEA
R. Scott MacDonald, HRP
Louis de Montbrun, Management
Dan White, IAFF, Co-Chair
Britt Wilson, Management
Ray MacKenzie, ATU
Mike Sampson, Management
Mike Lawlor, Retiree

ALTERNATES:

Stephen Bussey, IAFF
Jack Dragatis, ATU
Melanie Gerrior, NSUPE
Brian Leslie, Retiree
Scott Lillington, CUPE 108
Greg MacKay, NUMEA
Roxanne MacLaurin, Management
Gordon Roussel, Management (*joined the meeting at 11:15 a.m.*)
Jason Snow, HRP
Ted Moore, IAFF
Jerry Blackwood, Management

PARTICIPATING EMPLOYERS:

Cathy Maddigan, Halifax Library
Anne Patterson, Halifax Regional Centre for Education
Cathie O'Toole, Halifax Water Commission
Allan Campbell, Halifax Water Commission

STAFF:

Rob Ritchie, Chief Executive Officer
Matt Leonard, Director, Finance & Operations
Lisa Tanner, Director, Plan Member Services
Mark Whidden, Director, Pension Management
Vishnu Mohanan, Manager, Private Investments
Laura McLellan, Sr. Pension Consultant
Kimberly Clinton, Executive Assistant

OBSERVERS:

Joseph Kaiser, NSUPE, Local 13

REGRETS:

John Traves, Management, Co-Chair

GUESTS: Philip Churchill, Eckler
Jennifer Urquhart, Eckler

An In Camera meeting was held from 9:00 a.m. to 10:00 a.m.

1. CALL TO ORDER

The meeting was called to order at 10:06 a.m. by the Co-Chair, Dan White.

2. APPROVAL OF THE AGENDA, ADDITIONS, AND DELETIONS

The agenda was reviewed.

MOTION: To approve the agenda as presented.

MOVED BY: Ray MacKenzie

SECONDED BY: Britt Wilson

MOTION PUT AND PASSED.

3. APPROVAL OF MINUTES – June 14, 2018 and June 18, 2018

A draft copy of the minutes from the June 14, 2018 and the June 18, 2018 meetings were previously distributed to the Committee. There were no changes made to the minutes.

MOTION: To approve the minutes from June 14, 2018 and June 18, 2018 as presented.

MOVED BY: Scott MacDonald

SECONDED BY: Louis de Montbrun

MOTION PUT AND PASSED.

4. 2017 ACTUARIAL VALUATION

Mr. Philip Churchill, and Ms. Jennifer Urquhart, Principals for Eckler, joined the meeting. Copies of the actuarial valuation results as at December 31, 2017 had been previously provided to the Committee for their review.

Mr. Churchill noted that they were looking for approval of the valuation for filing with the Nova Scotia Superintendent of Pensions by September 30, 2018. Mr. Churchill outlined the purpose of the actuarial valuation and highlighted some of the differences from what was presented during the June meeting. The changes included updating the discount rate to 6.20%.

Mr. Churchill reviewed the assumptions used for the December 31, 2017 valuation. Mr. Churchill proceeded to review the results of the going concern valuation. He indicated that as at December 31, 2017 the plan is 90.6% funded on a going concern basis and that current contribution rates are sufficient to meet the legislated required contributions. A summary of the gain and loss items between last year's valuation and this year's valuation was reviewed.

Mr. Churchill then reviewed the Plan's margin policy noting that by using a 6.20% discount rate the Plan had essentially achieved its goal of having a 5% margin in the Plan's liabilities as at December 31, 2017. He then indicated that in order to achieve a 10% margin in the Plan's liabilities a 5.75% discount rate would be required. Using a 5.75% discount rate would result in a going concern funded ratio of 85.8% and would require an increase in total contributions of 4.5% of payroll (split equally between employees and employers).

There was a concern raised by Mr. Bussey about the difference between the actuarial value of assets and the market value of assets. Mr. Churchill explained how asset "smoothing" is used to defer the recognition of recent investment returns. The idea is that by "smoothing" the Plan's assets, large changes in the Plan's funded ratio and contribution requirements are avoided when the market value of the Plan's assets change substantially between valuation periods. The smoothing adjustment is something that will be beneficial to the plan in the long-term; especially during years when investment returns are low.

Ms. O'Toole asked if the Superintendent of Pensions would have any concerns with the changes made to the assumptions and the 6.2% discount rate? Mr. Churchill replied no; particularly if she is made aware that the Committee is currently going through a long-term planning exercise.

Mr. Churchill proceeded to present the valuation results on a solvency and hypothetical wind-up basis. He noted that the Plan is 66.4% funded on a solvency basis and 63.1% funded on a wind-up basis. The plan needs to continue to file annual valuations due to the solvency ratio (66.4%) being less than 85%. The Plan can start paying out 63.1% of Member commuted values upon termination from the Plan with the remaining 36.9% being paid out in 5 years. This is up from the 60% of benefits that are currently being paid out of the Plan immediately when a member terminates from the Plan.

At this time, **Mr. R. Scott MacDonald** brought forward the **MOTION:**

To approve the actuarial assumptions and valuation at December 31, 2017 as presented and direct Eckler to file the valuation report with the Superintendent of Pensions.

SECONDED BY: Jerry Blackwood

MOTION PUT AND PASSED.

5. PENSION MODELLING UPDATE

A copy of the Pension Modelling update presentation was provided to the Committee prior to the meeting. Ms. Urquhart gave an update on the progress to date. At this time, Eckler has finalized the engagement and scope of the work in detail. She gave an overview of the interviews that were conducted with the voting members and other stakeholders, and how they established the principles and objectives that are being used in this project.

Since this June meeting, Eckler has built a real-time model, that has been tested and will be presented to the working group next week. There is a further working group meeting scheduled for the end of October.

Eckler will present the real-time model and the results of the next two working group meetings at the next full Committee meeting at the end of November.

6. CEO UPDATE

A copy of the CEO Update was provided to the Committee in their meeting packages.

Mr. Ritchie provided updates on plan member service, the investment market, the Plan's private market portfolio, Club Vita and information about the Canada Infrastructure Bank.

The plan member service levels are as promised with strong results (98.6% compliance). The new pension administration system is progressing ahead of schedule and the Pension Office is finalizing the last few modules.

For investments, Mr. Ritchie gave an overview of the public markets and their performance to date.

Mr. Ritchie provided highlights of the Plan's private market portfolio, showing how diversified it is and how it has performed. The asset class mix is divided between real estate, infrastructure, private debt and private equity. He provided a geographical breakdown of the investments, a list of the largest 10 investments and an investment breakdown between funds and co-investments.

Mr. Ritchie then took a closer look at real estate. The real estate portfolio is diversified by sector and geography. The Canadian real estate is mostly multi-unit residential with some office and industrial

Mr. Ritchie then reviewed the private market portfolio's cash flow pattern. He discussed the private market outlook and its implications for the Plan.

Club Vita was previously introduced to the Committee as a concept of a new source for longevity experience data. The Pension Office will continue to monitor this area for future developments but we are not recommending engaging with Club Vita at this time. Club Vita currently has no engagements in Nova Scotia.

Mr. Ritchie provided information about the new Canada Infrastructure Bank at the request of Committee members.

7. GOVERNANCE REVIEW

7.1. Committee Self-Monitoring STANDING ITEM (Committee)

- Process
- Performance
- Governance Review Update

Mr. White gave an update on the governance review. At the last special meeting in June there was a proposed document that needed to be reviewed by legal counsel. John Traves and Kevin Skerrett have engaged legal counsel, a draft is near completion and will be presented to the Committee at a future meeting.

7.2. Governance Policy Review – Governance Process (Committee)

Copies of the following Governance Policies were provided to the Committee in their meeting packages.

- 7.2.1. Global Governance-Management Connection
- 7.2.2. Unity of Control
- 7.2.3. Accountability of the CEO

There were no changes made to the policies at this time.

MOTION: The policies were reviewed and accepted as presented.

MOVED BY: Rick Dexter
SECONDED BY: Ray MacKenzie

MOTION PUT AND PASSED.

7.3. Governance Policy Review – Executive Limitations

Copies of the Financial Condition and Activities, Service Providers, Investment and Communication and Support to the Committee policies were provided to the Committee in their meeting packages.

7.3.1. Financial Condition and Activities:

Mr. Leonard reviewed the information that was provided in the report. The policy is reviewed on a semi-annual basis. The CEO is in compliance with the executive limitations as of June 30, 2018.

7.3.2. Service Providers:

Mr. Leonard reviewed the information that was provided in this report. This is an annual report covering October 1, 2017 to September 30, 2018. It provides examples of the due diligence process utilized when taking on new investments and service providers.

7.3.3. Investment:

Mr. Leonard reviewed the report that is reported quarterly to the Committee. The investment strategy was in compliance with the Statement of Investment Policies and Procedures as at June 30, 2018.

7.3.4. Communication and Support to the Committee

Mr. Leonard reviewed the quarterly report. The CEO is in compliance with the limitations associated with this policy. Mr. Leonard noted that the 2017 annual member statements were issued and mailed out to members on June 11, 2018.

MOTION: To approve the above policies as presented.

MOVED BY: Mike Lawlor
SECONDED BY: Jerry Blackwood

MOTION PUT AND PASSED.

8. BUSINESS ARISING FROM THE MINUTES**8.1. Committee Education and Training Budget**

A copy of the Committee Education and Training Budget was provided to the Committee in their meeting packages. Mr. Bone reviewed the budget with the Committee and noted that expenditures are currently under budget. Mr. Bone reminded the Committee that they should attend training to keep current on pension issues. The Training and Education Sub-Committee will be meeting this Fall to review the training to date and make recommendations for 2019. Mr. Bone noted that there are several conferences this Fall that members are attending.

8.2. Reports on Service Standards

A copy of the HRM Pension Plan Service Standard Report – Q2 2018 was provided to the Committee in their meeting packages.

Ms. Tanner discussed the service standards report. She highlighted that there were 216 calculations processed in Q2 2018 and 98.6% were completed within the service standards. Ms.

Tanner discussed a special project that was done over the last quarter to try to payout non-vested members who terminated many years ago. Plan Member Services sent out notices to 44 non-vested members and by the end of Q2 there were 13 payouts made (16 as of September 19).

9. OTHER BUSINESS

There was no other business to discuss.

10. DATE OF NEXT MEETINGS

The next Committee meeting is scheduled for November 22nd, however, due to conflicts, Mr. White asked if the meeting could be rescheduled for either the week prior or the first week of December. Ms. Clinton will attempt to reschedule.

11. ADJOURNMENT

MOTION: To adjourn the HRM Pension Committee meeting at 2:07 p.m.

MOVED BY: Rick Dexter
SECONDED BY: Mike Sampson

Dan White, Co-Chair