

Halifax Regional Municipality Pension Plan
Minutes of Annual General Meeting
Monday, June 12, 2017, at 5:30 p.m.
Casino Nova Scotia, Compass Room
1983 Upper Water Street, Halifax, NS

MEMBERS AND ALTERNATES PRESENT:

John Traves, Co-Chair, Management
Dan White, Co-Chair, IAFF
Louis de Montbrun, Management
R. Scott MacDonald, HRP
Dwayne Tattrie, CUPE 108
Cameron Deacoff, NSUPE Alternate
Jack Dragatis, ATU Alternate
Melanie Gerrior, NSUPE Alternate
Sherry Hilchey, NUMEA Alternate
Brian Leslie, Retiree Alternate
Jason Snow, HRP, Alternate

STAFF:

Terri Troy, Chief Executive Officer
Matt Leonard, Director, Finance & Operations
Lisa Tanner, Director, Plan Member Services
Angela Himmelman, Manager, Plan Member Services
Andrew Walker, Manager, Public Investments
Vishnu Mohanan, Manager, Private Investments
Mark Whidden, Director, Pension Management
Donna Bayers, Executive Assistant

The meeting was called to order by Mr. Dan White, Co-Chair, at 5:30 p.m.

1. INTRODUCTION OF MEMBERS

Mr. White welcomed everyone to the Annual General Meeting.

Mr. White introduced himself and Mr. John Traves as the Co-Chairs of the Pension Committee. He also introduced the members of the Pension Committee who attended the meeting.

Mr. White acknowledged Mr. Bill Moore's retirement from the Police Force in May 2017. Mr. Moore's valuable contribution to the HRM Pension Committee for the past ten years is very much appreciated. Mr. Moore also served on the Committee as Co-Chair for the past two years.

Mr. White introduced Ms. Terri Troy, CEO, HRM Pension Plan. Ms. Troy introduced the members of her staff who attended the meeting.

The 2016 minutes were made available for information purposes.

2. PRESENTATION

Ms. Troy presented an overview of the Plan including key facts, what makes the Pension Office unique, an overview of investments, 2016 accomplishments and 2017 goals. Copies of the 2016 Annual Report were available at the meeting.

Ms. Troy explained the governance structure of the HRM Pension Committee which is made up of five management representatives, five union representatives, one non-union and one retired member. The organizational chart for the Pension Office was also reviewed. As at December 31, 2016, there were a total of 10,438 members in the Plan. This is made up of 5,905 active members, 3,911 pensioners, 238 deferred members and 384 terminated members with rights to residual payments. Member service highlights were reviewed. Plan member surveys conducted in 2016 reported “Excellent” service from the Pension Office. The Pension Office received 3,510 phone calls from plan members in 2016. The Pension Office enrolled approximately 550 new plan members and processed 277 pension estimates. Ninety-eight percent of pension calculations are now done in the Pension Office. Eight pension information sessions covering general plan information were held in 2016 for plan members.

Ms. Troy reported that the Plan was approximately 104% funded on an accounting basis, 92% funded on a going concern basis, and approximately 61% funded on a solvency basis on December 31, 2016. She explained why the percentages were different for each.

Ms. Troy reviewed the Plan investments and reported that the Plan earned 5.5% for 2016, before expenses in line with the benchmark of 5.6%. This represents approximately \$95 million in investment income generated net of Plan expenses. Net assets only increased by \$65 million to \$1.7 billion in 2016 primarily due to lump sum commuted value payments. In 2016, the Pension Committee removed the portability option for retirement eligible members. The Plan has achieved a 7.0% annualized return since inception, which represents approximately \$1.2 billion from investment returns net of plan expenses and \$475 million in value added net of plan expenses in excess returns over benchmark returns.

Ms. Troy reviewed what makes the Pension Office unique, such as the highly-experienced staff who are dedicated to supporting active and retired members and their availability for face-to-face contact with members. On the investment side, the Pension Office can leverage off the CEO’s relationships to access attractive investment opportunities with other institutional investors and significantly reduce fees. The Plan size is such that it is small enough to access investment opportunities that are too small for larger plans yet form alliances with other plans to participate in larger investment opportunities that would be too large for the plan to pursue by itself.

Ms. Troy reviewed the asset mix as of December 31, 2016:

Canadian Equity	8.23%
Global Equity	30.19%
Minimum Target Return (private investments)	38.34%
Bonds	22.75%

Cash

0.49%

The Plan is defensively positioned due to the requirement to file annual valuations which determine the contribution rate.

Ms. Troy reported that there was annual operating cost savings of \$6 million in 2016 and cumulative savings in operating costs of \$28 million since 2006 largely due to negotiating fee reductions with investment managers.

In 2016, the average pension administration cost was \$117 per member, which is lower than the average cost of \$169 per member for other public sector plans that publish this information.

Ms. Troy reviewed the Pension Office's key accomplishments for 2016 including:

- Grew the Minimum Target Return (private investments) portfolio, which earned 6.6% in 2016.
- Earned 5.5% in 2016, in line with the benchmark return of 5.6%. This represents approximately \$95 million in investment income net of Plan expenses.
- Reduced our interest rate risk.
- Maintained a monthly risk monitoring report.
- Completed a Plan Member Survey in October/November 2016.
- Achieved an "Excellent" rating from the plan member surveys for plan member service.
- Third annual pensioner audit in progress.
- Continued to increase in-house pension administration services and hired new member services staff to improve quality and timeliness of plan member transactions.

Goals for 2017

Ms. Troy reviewed the Pension Office's goals for 2017 including:

- Earn at least -2.0% in 2017 to prevent contribution increases in 2018 (assuming no adverse impact on liabilities).
- Earn more than 6.5% to improve going concern funded status.
- Continue to source attractive investment opportunities.
- Reduce unnecessary costs by continuing to negotiate better fees with third party suppliers.
- Implement new Plan Administration System.
- Implement an Electronic Document Management System.
- Update Participating Employer Agreements.

Mr. White announced Ms. Troy's retirement from the position of CEO of the HRM Pension Plan to take effect in October 2017. Mr. White assured all plan members that a succession plan is in place and the Pension Committee will be doing a nation-wide executive search. He thanked Ms. Troy for the wonderful job she has done over the past 11 years.

3. QUESTIONS AND ANSWERS

Q. Mr. Denis Scoville asked why there is a difference from the last year's return of 10.6% to this year's return of 5.5%?

A. Ms. Troy replied that this is related to currency fluctuations. The Plan hedges the foreign fixed income investments. Equity investments are not hedged. In 2015, the currency translation was in our favour but in 2016 it was not. This year, the return was 7%.

Q. Mr. Scoville asked if it had anything to do with the commuted value payout?

A. Ms. Troy replied, no, this does not affect the investment return just the funded status.

Q. Mr. Scoville asked if there is any information on the City bringing forward in their negotiations the plan to tie any future pension increases to future wage increases?

A. Mr. White replied that this is a labour negotiation matter not a pension plan matter.

Mr. Scott MacDonald congratulated Ms. Troy on her retirement after over a decade of service and thanked Ms. Troy for her outstanding service to the HRM Pension Plan.

4. ADJOURNMENT

The meeting was adjourned at 6:00 pm.

Dan White, Co-Chair