

**HALIFAX REGIONAL MUNICIPALITY
PENSION COMMITTEE MEETING
Thursday, March 28, 2019
Casino Nova Scotia, Compass Room
1983 Upper Water Street, Halifax, NS
9:00 a.m. – 3:00 p.m.**

MEMBERS: Andrew Bone, NSUPE
Britt Wilson, Management
Dan White, IAFF, Co-Chair
Dwayne Tattrie, CUPE 108
John Traves, Management, Co-Chair
Louis de Montbrun, Management
Mike Sampson, Management
R. Scott MacDonald, HRP (arrived at 12:30 p.m.)

ALTERNATES: Brian Leslie, Retiree (acting voting retiree rep)
Cameron Deacock, NSUPE
Gordon Roussel, Management (arrived at 11:15 a.m.)
Greg MacKay, NUMEA (acting for Rick Dexter)
Jack Dragatis, ATU (acting for Ray MacKenzie)
Jason Snow, HRP
Marlinda Mooney, NUMEA
Melanie Gerrior, NSUPE
Nicole Evenden, Management
Scott Lillington, CUPE 108
Stephen Bussey, IAFF
Steve Blackmore, CUPE 108
Ted Moore, IAFF

PARTICIPATING EMPLOYERS: Allan Campbell, Halifax Water
Anne Patterson, HRCE

STAFF: Lisa Tanner, Director, Plan Member Services
Mark Whidden, Director, Pension Management
Matt Leonard, Director, Finance & Operations
Melissa White, Executive Assistant
Vishnu Mohanan, Manager, Private Investments

GUESTS: Dee Vipond, NSUPE (left at 12:30 p.m.)
Jason McNeil, HRP
Jon Beer, HRP
Joseph Kaiser, President, NSUPE Local 13
Brendon Meagher, President, IAFF (left at 12:30 p.m.)
Matthew Guest, HRP
Philip Churchill, Eckler

Jennifer Urquhart, Eckler

REGRETS: Rob Ritchie, Chief Executive Officer
Rick Dexter, NUMEA
Ray MacKenzie, ATU
Jane Fraser, Management

An In-Camera meeting was held from 9:00am to 10:00am.

1. CALL TO ORDER

The meeting was called to order at 10:08am by the Co-Chair, John Traves.

Mr. Traves noted that a vote was held at the in-camera meeting and Mark Hartlen was chosen as the new Retiree Voting representative. Brian Leslie has agreed to stay on as the Alternate Retiree representative.

Mr. Traves introduced a new alternate committee member, Marlinda Mooney from NUMEA and the new Executive Assistant to the CEO and the Pension Committee, Melissa White.

Jason Snow introduced HRP attendees who expressed an interest in learning more about the Pension Plan, Constable Jon Beer, Constable Matt Guest and Sargent Jason MacNeil.

Mr. Leonard introduced Mark Whidden, Lisa Tanner and Vishnu Mohanan from the Pension Office.

2. APPROVAL OF THE AGENDA, ADDITIONS AND DELETIONS

Moved by Dan White and Seconded by Louis de Montbrun to approve the agenda as presented. Motion Put and Passed.

3. APPROVAL OF MINUTES - December 6, 2018 & February 7, 2019

Moved by Brian Leslie and Seconded by Louis de Montbrun to approve the December 6, 2018 and February 7, 2019 minutes as presented. Motion Put and Passed.

4. GOVERNANCE REVIEW

4.1. Committee Self-Monitoring

- Process
- Performance
- Governance Review Update

Mr. White gave an update on Amendment 2019-01 saying that 4 out of 5 unions have met and voted. The remaining union, ATU, will meet on Sunday. Results should be back to the Committee early the following week. Mr. Traves mentioned that the amendment has not yet been put in front of Council, but he does not expect any issues. Once approved the amendment will then be filed with the Superintendent of Pensions.

4.2. Governance Policy Review – Governance Process

4.2.1. Chief Governance Officers’ Role

The Chief Governance Officers’ Role was reviewed. There were no changes made at this time.

4.2.2. Committee Members’ Code of Conduct/Privacy Policy

There were no changes to this policy. Pension Committee members in attendance were asked to sign as required annually.

Moved by Dwayne Tattrie and Seconded by Jack Dragatis to approve the above policies as presented. Motion Put and Passed.

4.3. Governance Policy Review – Committee-Management Delegation

4.3.1. Monitoring CEO Performance

Mr. Traves stated on behalf of the Committee that they are impressed with Mr. Ritchie’s performance to date and that it has exceeded their expectations.

Moved by Britt Wilson and Seconded by Jason Snow to approve the above policy as presented. Motion Put and Passed.

4.4. Ends

4.4.1. ENDS Statement

Moved by Andrew Bone and Seconded by Mike Sampson to approve the above policy as presented. Motion Put and Passed.

4.5. Governance Policy Review – Executive Limitations

4.5.1. Global Executive Constraint

The CEO is in compliance with this policy. There were no updates since the last report.

4.5.2. Treatment of Plan Members

The CEO is in compliance with this policy. There were no updates since the last report.

4.5.3. Treatment of Staff

The CEO is in compliance with this policy. There were no updates since the last report.

4.5.4. Financial Condition and Activities

The CEO is in compliance with this policy. Mr. Leonard noted that the HRM Pension Plan's pension administration expense per member for 2018 is \$131. In 2017 it was \$135. This is well below the median in comparison to 11 other Canadian Defined Benefit Pension Plans tracked.

4.5.5. Investment

The investment strategy was in compliance with the SIP&P as of December 31, 2018. Mr. Leonard pointed out that a Year over Year column was added to the Asset Mix table as requested by Andrew Bone.

Mr. de Montbrun asked if we should state in the report that Halifax Water also issues debt and that we did not invest in that debt. Mr. Leonard is going to check and see if this is necessary and report back at the next meeting.

4.5.6. Communication and Support to the Committee

The CEO is in compliance with the limitations associated with this policy.

With regards to the overpayment of a survivor pension, the Pension Office was able to recover approximately \$22,000 in pension payments, plus interest and legal costs through Small Claims Court.

Mr. Leonard mentioned that there was a recent announcement of amendments to the Nova Scotia Pension Benefits Act and referred to the news release included in the Committee package. Mr. Leonard then stated that there are additional amendments to the regulations that will be announced by the Nova Scotia Superintendent of Pensions at a later date.

Mr. Sampson referred to the Regulatory Filing Requirements table and said that the dates in item number 12, did not seem correct. It states that the waiver was applied to January 1, 2019 but then says we requested a new waiver for January 1, 2018 to December 31, 2020. Lisa Tanner will review this and make necessary corrections for the next meeting.

Moved by Jack Dragatis and Seconded by Britt Wilson to approve the above policies as presented. Motion Put and Passed.

5. CEO UPDATE

A copy of the CEO Update was provided to the Committee in their meeting packages. The update was presented by Mr. Leonard in Mr. Ritchie's absence.

Mr. Leonard reported that the Plan Member Services team achieved just over 99% compliance in their service standards for Q4 2018 as well as the whole calendar year of 2018. In addition, member satisfaction surveys came back with an aggregate score of Excellent. Mr. Leonard thanked Ms. Tanner and her team for doing a great job.

Mr. Leonard reported that the new Pension Administration System is now fully implemented after a 2-year process. All pension member calculations are now done in-house by the Plan Member Services team.

Mr. Leonard stated that the Pension Plan's investments returned 3.81% net of expenses for 2018. The median Canadian Defined Benefit Plan results for 2018 per Northern Trust and RBC were -1.0% and -0.7% respectively. Mr. Leonard shared with the Committee some of the other larger Canadian Pension Plans recently released results for 2018.

Mr. Leonard then reviewed the Q4 investment activity and provided an overview of the Pension Plan's investments in private equity and private debt. He then reviewed the Pension Office's 2018 accomplishments and 2019 goals.

Mr. Leonard shared with the Committee that the Pension Office will have a new Director of Public Investments, Darin Eddy, starting later in April.

6. NEW BUSINESS

6.1. Preliminary Discount Rate and Margin Discussion

Mr. Philip Churchill and Ms. Jennifer Urquhart, Principals, Eckler Ltd. were invited to speak about the projected valuation results as at December 31, 2018. Their report was handed out at the meeting.

Mr. Churchill reviewed the Plan's assets and indicated that for actuarial purposes the Plan earned 3.6% during 2018 net of investment fees on a market value basis. He suggested that the rate of return of 3.6% was top notch for 2018 considering the poor performance of the public markets in 2018. On a smoothed asset basis, the Plan earned 7.6%.

Mr. Churchill then proceeded to review projections of the Plan's liabilities, funded ratio and contribution requirements as at December 31, 2018 based on an extrapolation of the December 31, 2017 valuation. He indicated that the results presented would not reflect any experience gains and losses as these amounts would not be available until the actual data as at December 31, 2018 is provided.

Mr. Churchill then discussed a retirement experience study that had been completed by the Pension Plan Office along with Eckler. In the past the retirement assumption used was basic and assumed that the population retired at two points in time. The actual Plan data reviewed suggested that a more robust retirement assumption would be appropriate. Mr. Churchill proposed a retirement assumption table with rates that vary by age with an additional component added to the rates when a member reaches their unreduced retirement age.

The next assumption discussed was a change to the CIA's mortality projection scale. While this new scale most likely will not be required for this year's valuation, Mr. Churchill wanted to demonstrate the impact that the new projection scale would have on the Plan's financial position. He suggested that the new projection scale would most likely be required for next year's valuation.

Following the discussion of the changes to the mortality assumption Mr. Churchill turned his attention to the derivation of the Plan's discount rate and the Committee's internal margin policy. He reminded the Committee that they have previously committed to achieving a 5% margin in the Plan's liabilities as at December 31, 2017 and a 10% margin when they file the December 31, 2027 valuation.

Mr. Churchill suggested that the Plan's best estimate discount rate as at December 31, 2018 is 6.55% and in order to incorporate a 5% margin in the Plan's liabilities this rate will need to be reduced to

6.10%. Results were then presented using all the assumption changes previously discussed along with a 6.10% discount rate.

Mr. Churchill then reviewed some of the challenges facing the Plan in the coming years. These included the impact of potential changes to the funding rules for defined benefit plans in Nova Scotia and the path that the Committee must consider in order to achieve their 10% margin goal.

6.2. Review of Committee Training and Education Policy

Mr. Bone discussed the training available from the International Foundation of Employee Benefit Plans (IFEBP), in particular the Master of Trust Management Standards (MTMS). The Training and Education subcommittee recommended the following:

1. That the following amendments to the training and education policy be made:
 - a. Add MTMS training as part of the advance core training for voting members and that such training be paid for out of the general training budget.
 - b. Add a policy to enable when training is provided locally (in whole or in part) the Committee may make such training available to Committee members (voting or alternate) from the general training budget subject to a special resolution prior to such training being commenced.

Moved by Andrew Bone and Seconded by Mike Sampson to approve the above policy as amended. Motion Put and Passed.

2. That the Committee approve a special resolution to permit all Committee Members to attend local MTMS training in Halifax in the summer of 2019 and any subsequent training to complete the MTMS program with funding coming from the general training budget.

Moved by Andrew Bone and Seconded by Mike Sampson to approve the special resolution. Motion Put and Passed.

6.3. Term of John Traves as Co-Chair expires June 8, 2019

Mr. White stepped in as Co-chair and requested nominations for a management Co-chair. On behalf of management, Mr. Wilson nominated John Traves to be reappointed to the position. Mr. Traves accepted.

7. BUSINESS ARISING FROM THE MINUTES

7.1. Committee Training and Education Budget

Mr. Bone reviewed the budget summary provided in the Committee package. He noted that there has not been much spent to date and that the majority of the Committee training is available later in the year.

7.2. Plan Member Service Update

Ms. Tanner reviewed the results of the 2018 Plan Member Satisfaction Surveys. Mr. Dragatis asked how survey recipients are determined. Ms. Tanner confirmed that all active and inactive members who contact the office via phone or email, plus all new retirees receive a survey. Mr. White pointed out that although the response rates seem low (18% combined), this is actually a good response rate, as 20% is considered significant.

Mr. Bussey asked about the Retirement Calculator use and if this is being tracked. Ms. Tanner replied that the service provider will be providing this data and that it will be analyzed by the Pension Office and presented to the Committee at a later meeting.

Ms. Tanner reported that the Annual Pensioner Audit was completed in 6 weeks in 2018 and that this year they will start the process in early May to avoid missing the pensioners who go away for the winter.

Ms. Tanner reported that seven pension information sessions were presented to various groups of members in 2018.

7.2.1. Reports on Service Standards – Q4 2018

Ms. Tanner presented the service standard report for Q4 2018. She highlighted that there were 197 calculations processed in the quarter and 99.5% were completed within the service standards.

7.2.2. Reports on Service Standards – Calendar Year

Ms. Tanner discussed the service standard report for 2018. She highlighted that there were 724 calculations processed in 2018 and 99.2% were completed within the service standards.

7.2.3. Memo – Analysis of Service Standards (enclosure)

It was discussed at the December Committee meeting that as the Pension Office has consistently exceeded service level targets, that it would be beneficial to review what the industry standards are and if there is potential for improvements to those standards. The Pension Office reached out to 5 other service providers in Nova Scotia and found three areas where the service level targets could be improved:

1. Marriage Breakdown Statement – change target from 20 business days to 15 business days
2. Service Purchase Statement – change target from 20 business days to 15 business days
3. Pre-Retirement Death Statement – change target from 15 business days to 10 business days

Moved by Jack Dragatis and Seconded by Britt Wilson to approve the recommended changes to the service level targets. Motion put and passed.

7.3. DC SIP&P Update

Mr. Whidden provided an update on the DC SIP&P.

Mr. Whidden indicated that the Committee would normally have reviewed and approved the DC SIP&P during the previous Committee meeting but since the SIP&P had not been revised in several years, it was proposed that a comprehensive review be conducted.

Mr. Whidden reviewed the proposed changes based on that review and requested that the Committee approve the revised DC SIP&P.

Moved by R. Scott MacDonald and Seconded by Dan White to approve the DC SIP&P dated March 28, 2019 as amended. Motion Put and Passed.

8. OTHER BUSINESS

No other business was discussed.

9. DATE OF NEXT MEETINGS

1. Annual Education Session, April 10, 2019 – Casino Nova Scotia, Compass Room
2. Regular Meeting, June 13, 2019 – Casino Nova Scotia, Schooner Room
3. AGM, June 17, 2019 – Casino Nova Scotia, Compass Room

10. ADJOURNMENT

Moved by Jack Dragatis to adjourn the HRM Pension Committee Meeting at 2:30p.m.

John Traves, Co-Chair