

**HALIFAX REGIONAL MUNICIPALITY
PENSION COMMITTEE MEETING
Thursday, June 13, 2019
Casino Nova Scotia, Schooner Room
1983 Upper Water Street, Halifax, NS
9:00 am – 3:00 pm**

MEMBERS: Andrew Bone, NSUPE
Britt Wilson, Management
Dan White, IAFF, Co-Chair
Dwayne Tattrie, CUPE 108
Louis de Montbrun, Management
Mark Hartlen, Retiree
Mike Sampson, Management
R. Scott MacDonald, HRP
Ray MacKenzie, ATU 508
Rick Dexter, NUMEA

ALTERNATES: Brian Leslie, Retiree
Cameron Deacoff, NSUPE
Greg MacKay, NUMEA
Jack Dragatis, ATU
Jason Snow, HRP
Marlinda Mooney, NUMEA
Melanie Gerrior, NSUPE
Peter Nixon, HRP
Scott Lillington, CUPE 108
Stephen Bussey, IAFF
Steve Blackmore, CUPE 108
Ted Moore, IAFF

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

STAFF: Rob Ritchie, CEO
Darin Eddy, Director, Public Investments
Lisa Tanner, Director, Plan Member Services
Mark Whidden, Director, Pension Management
Matthew Leonard, Director, Finance & Operations
Vishnu Mohanan, Manager, Private Investments
Melissa White, Executive Assistant
René Madden, Pension Consultant

GUESTS: Jennifer Urquhart, Eckler
Philip Churchill, Eckler
Carey Blair, KPMG LLP
Dee Vipond, NSUPE 13
Joseph Kaiser, NSUPE 13

An In Camera Meeting was held from 9am to 10am.

1. CALL TO ORDER

The meeting was called to order at 10:06 am by Dan White.

Mr. White informed the Committee that Rick Dexter, the NUMEA Voting Representative will be stepping down from the Committee as of July 1 and introduced Greg MacKay as the new voting representative for NUMEA.

Mr. Ritchie introduced the Pension Office staff in attendance including Darin Eddy who was previously with Morneau Shepell and joins the Pension Office as Director, Public Investments. Mr. Ritchie also noted that Mr. Whidden and Mr. Madden were the authors of the HRM Pension Office All Points Bulletin that was emailed to Committee members on June 3.

2. APPROVAL AGENDA

Moved by Ray MacKenzie and seconded by R. Scott MacDonald to approve the agenda as presented. Motion Put and Passed.

3. APPROVAL OF MINUTES March 28, 2019

Moved by Louis de Montbrun and seconded by R. Scott MacDonald to approve the March 28, 2019 Minutes as presented. Motion Put and Passed.

4. GOVERNANCE REVIEW

4.1 Committee Self-Monitoring

4.1.3 Governance Review Update

Status of Plan Amendment – Mr. White provided the Committee with an update on the status of Plan Amendment 2019-01. The Amendment was previously circulated for approval by all parties. As of June 12, the Union Presidents have all signed the amendment and it is now with the Mayor for signature. It will then be filed with the Superintendent of Pensions.

Pension Regulation Change Update – Mr. Ritchie provided an update to the Committee on the Nova Scotia Pension Regulation changes that could impact the Pension Plan.

Delegation of Investment Authority – Mr. White explained that according to Plan Amendment 2019-01, the Committee by its express written delegation, can delegate investment authority to Mr. Ritchie in order for him to be able to select, appoint and oversee the investment managers on behalf of the Committee.

Moved by Rick Dexter and seconded by Mike Sampson directing the Co-Chairs to sign the written delegation letter as presented. Motion Put and Passed.

4.2 Governance Policy Review – Governance Process

4.2.1 Committee Principles

4.2.2 Committee Structure

Moved by Ray MacKenzie and seconded by Louis de Montbrun to approve the policies as presented. Motion Put and Passed.

4.3 Current Governance Policy Quarterly Review Timetable MONITORING

No changes were made to the Quarterly Review Timetable.

4.4 Governance Policy Review – Executive Limitations

4.4.1 Interim CEO Succession

Mr. Leonard reviewed the information that was provided in the report. The CEO is in compliance with the limitations associated with this policy.

4.4.2 Asset Protection

The CEO is in compliance with the limitations associated with this policy. Mr. Leonard highlighted the increased office contents insurance coverage. He also highlighted the updated policy wording in section 4. Mr. de Montbrun raised a question on the appropriateness of the wording at the December Committee meeting. After consultation with the Pension Plan's auditors, the Audit Subcommittee is recommending that the Committee approve the new wording.

4.4.3 Investment

Mr. Leonard reviewed the report. The investment strategy was in compliance with the Statement of Investment Policies and Procedures (SIP&P) as at March 31, 2019. Mr. Leonard pointed out that in section 3 the wording has been updated to clarify that Halifax Water and Halifax Regional Municipality are considered related parties per the SIP&P.

4.4.4 Communication and Support to the Committee

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

Ms. Tanner informed the Committee that the printed 2018 annual statements were expected to be delivered to Canada Post on Friday June 14, and for the members who elected to receive statements electronically, their statements were expected to be emailed to them on Monday June 17.

Ms. Tanner also provided the Committee with an update on the progress of the 2019 Pension Audit.

Mr. Dragatis asked if there are notifications sent to pensioners reminding them that in case of their death, the spouse is responsible for contacting the office? Ms. Tanner replied that the Pension Office does not currently send such a notification but that it was a good idea. The Pension Office will consider adding some information to the inactive annual notice next year. The Pension Office does include a Next of Kin section on the option forms that are sent out.

Moved by Dwayne Tattrie and seconded by Ray MacKenzie to approve policies 4.4.1, 4.4.2, 4.4.3 and 4.4.4 as amended. Motion Put and Passed.

5. NEW BUSINESS

5.1 Summary Review of 2018 Draft Audited Financial Statements

Mr. Carey Blair from KPMG LLP briefly reviewed the Audit Findings Report for the year ended December 31, 2018 for the HRM Master Trust and HRM Pension Plan. He highlighted that the audit opinions were unqualified, but the format of the opinions have changed to provide more clarity and transparency.

5.2 Recommendation to Approve 2018 Audited Financial Statements

On behalf of the Audit Subcommittee, Mr. de Montbrun recommended that the Pension Committee approve the 2018 draft audited financial statements of the HRM Master Trust and the HRM Pension Plan.

Moved by Louis de Montbrun and seconded by R. Scott MacDonald to approve the December 31, 2018 draft audited financial statements as presented and recommended by the Audit Subcommittee. Motion Put and Passed.

5.3 Amendment to November 22, 2012 Resolution – ASC Mandate

Mr. de Montbrun outlined the changes made to the resolution regarding the Audit Subcommittee's mandate.

Moved by Louis de Montbrun and seconded by R. Scott MacDonald to approve the resolution as amended. Motion Put and Passed

5.4 Request for new Audit Sub Committee Member

Mr. de Montbrun asked the Committee for a volunteer to join the Audit Sub Committee. Mr. Tattrie volunteered to join the Sub Committee.

Moved by R. Scott MacDonald and seconded by Mike Sampson for Dwayne Tattrie to join the Audit Sub-Committee. Motion Put and Passed.

Mr. Bone noted that the Training and Education Sub-Committee requires four members as stated in the Committee Structure policy and there are currently only three. A volunteer was requested. Mr. de Montbrun volunteered to fill the position.

Moved by Britt Wilson and seconded by Ray MacKenzie for Louis de Montbrun to join the Training and Education Sub-Committee. Motion Put and Passed.

5.5 Review of Policy with Respect to Plan Expenses

Mr. Leonard highlighted one change to the policy on page 5. The Pension Office will no longer provide phone cards to the Committee for long distance calls.

Mr. Leonard also brought the Committee's attention to page 7 where it mentions an Executive Committee and asked who is on that committee. Mr. Wilson and Mr. Leonard will discuss the rewording of the paragraph and come back to the Committee with the amended language.

Mr. Bone raised the issue of providing receipts versus per-diems and asked the Committee if they would like to continue with the current per-diem system or switch to a receipt-based system. There was some discussion by the Committee on this and whether the current per diem levels were adequate. It was

decided by the Committee that the Training and Education Sub Committee should meet to discuss these items and come back to the Committee with a recommendation.

Ms. Tanner referred to the appendix to the expense policy containing the surcharges to Plan Members. She talked about the reciprocal transfer and service purchase fees and if there was a savings now that we are completing the calculations in house. Plan Member Services staff tracked the time it took to complete the calculations and it was decided that the fees were still reasonable and appropriate.

***Moved by R. Scott MacDonald and seconded by Andrew Bone to approve the policy as amended.
Motion put and passed.***

6. CEO Update

Mr. Ritchie presented the CEO Update. He reviewed the Plan's investment performance noting that the Plan earned 3.82% net of all plan expenses in Q1.

Mr. Moore asked with the pending pension regulation changes, if there was a market correction, would the Plan be able to absorb it?

Mr. Ritchie replied that the Committee cannot always count on strong investments results. Mr. White added that the changes to the pension regulations and long-term planning will be a top priority for the Committee in 2019.

7. BUSINESS ARISING FROM THE MINUTES

7.1 Reports on Service Standards Q1 2019

Ms. Tanner reviewed the Service Standard Report for Q1 2019 and highlighted that 99.6% of the calculations were completed within the services standards. She also noted that the Pension Office was now using the updated standards as passed at the March Committee meeting.

7.2 Committee Education and Training Budget

Mr. Bone presented the updated Training and Education Budget and encouraged Committee Members to sign up for the upcoming conferences listed in the training calendar.

7.3 2018 Preliminary Actuarial Valuation

Mr. Philip Churchill and Ms. Jennifer Urquhart, Principals for Eckler, joined the meeting.

Ms. Urquhart presented the Committee with a summary of how the Plan's membership and assets changed during 2018. The Plan's assets earned 3.6% net of fees during 2018 and total plan membership increased by 410 members.

Mr. Churchill then provided the Committee with the Plan's valuation results as at December 31, 2018. Based on the new data and proposed assumptions as at December 31, 2018, the Plan's funded ratio on a going concern basis is 93.1%. This compares to a funded ratio of 90.6% as at December 31, 2017. The updated results are based on a discount rate of 6.1% (6.2% in 2017) and include the impact of a revised retirement assumption based on an experience study completed in 2018. Under the revised assumptions the Plan's current service cost is 19.1% of payroll (compared to 18.3% in 2017) and total required special payments equal 4.6% of payroll (compared to 6.2% in 2017). Current contribution rates are sufficient to cover the Plan's current service cost and required special payments.

Mr. Churchill noted that by using a 6.1% discount rate the margin in the Plan's liabilities is approximately 5.4% which exceeds the 5% margin required by the Committee's internal margin policy.

On a solvency and wind-up basis the Plan is 67.1% and 64.2% funded, respectively.

Mr. Churchill stated that Eckler is ready to file the valuation report once the Committee approves the assumptions. Mr. White pointed out that the discount rate used in the presentation was 6.10%. Mr. Churchill confirmed this and stated that they could file with a discount rate of 6.05% and contribution rates would still be sufficient.

Moved by Mike Sampson and seconded by R. Scott MacDonald to approve the updated retirement assumption for the December 31, 2018 valuation as presented. Motion put and passed.

There was then discussion around using a 6.10% discount rate as presented or decreasing the rate further to 6.05%.

Moved by Andrew Bone and seconded by R. Scott MacDonald to approve the discount rate of 6.10% for the December 31, 2018 valuation. In favour Mr. Wilson, Mr. de Montbrun, Mr. Bone, Mr. MacDonald, and Mr. Hartlen; against Mr. Dexter, Mr. Tattrie, Mr. MacKenzie, Mr. Sampson. Motion put and passed.

Eckler will present the final valuation results at the September Committee meeting.

8. OTHER BUSINESS

Mr. Dexter gave thanks to the Committee for the past 7 years of working together. The Committee thanked Mr. Dexter for his service.

9. DATE OF NEXT MEETINGS

June 17 – AGM

September 26 – Pension Committee Meeting

December 5 – Pension Committee Meeting

10. ADJOURNMENT

Moved by Rick Dexter and seconded by Ray MacKenzie to adjourn the HRM Pension Committee Meeting at 1:51pm. Motion Put and Passed.

Dan White, Co-Chair