

**HALIFAX REGIONAL MUNICIPALITY
PENSION COMMITTEE MEETING
Thursday, December 6, 2018
Casino Nova Scotia, Compass Room
1983 Upper Water Street, Halifax, NS
9:00 a.m. – 3:00 p.m.**

MEMBERS: Andrew Bone, NSUPE
R. Scott MacDonald, HRP
Louis de Montbrun, Management
Dan White, IAFF, Co-Chair
Britt Wilson, Management
Ray MacKenzie, ATU
Mike Sampson, Management
John Traves, Management, Co-Chair
Dwayne Tattrie, CUPE 108

ALTERNATES: Stephen Bussey, IAFF
Jack Dragatis, ATU
Melanie Gerior, NSUPE
Greg MacKay, NUMEA
Roxanne MacLaurin, Management
Gordon Roussel, Management
Jason Snow, HRP
Ted Moore, IAFF
Jerry Blackwood, Management (*left the meeting at 12:00*)
Steve Blackmore, CUPE 108
Cameron Deacoff, NSUPE
Peter Nixon, HRP

PARTICIPATING EMPLOYERS: 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
Danielle MacLeod, Senior Investment Associate
Kimberly Clinton, Executive Assistant

REGRETS: Brian Leslie, Retiree
Rick Dexter, NUMEA
Scott Lillington, CUPE 108
Nicole Evenden, Management

OBSERVERS: Andrew Gough, Management
Dee Vipond, NSUPE
Joseph Kaiser, NSUPE
Brendan Meagher, IAFF

GUESTS: Philip Churchill, Eckler
Jennifer Urquhart, Eckler
Chris Murphy, Eckler
Akhil Unni, GCM Grosvenor
Aris Hatch, GCM Grosvenor

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 10:14 a.m. by the Co-Chair, Dan White.

2. APPROVAL OF THE AGENDA, ADDITIONS, AND DELETIONS

The agenda was reviewed. The following agenda items were added to the Other Business section.

- 10.1 Resignation and Appointment of Retiree Rep
- 10.2 Introduction of New Committee Members

MOTION: To approve the agenda as amended.

MOVED BY: Mike Sampson
SECONDED BY: Ray MacKenzie

MOTION PUT AND PASSED.

3. APPROVAL OF MINUTES – September 20, 2018

A draft copy of the minutes from the September 20, 2018 meeting was previously distributed to the Committee. It was noted that the spelling of Ms. Cathie O’Toole’s name is to be corrected.

MOTION: To approve the minutes from September 20, 2018 as amended.

MOVED BY: Dwayne Tattrie
SECONDED BY: Andrew Bone

MOTION PUT AND PASSED.

4. GOVERNANCE REVIEW

4.1. Committee Self-Monitoring

- Process
- Performance
- Governance Review Update

Mr. Traves provided an update to the changes currently being made to the Plan Text regarding Governance. As per the direction of the Committee, Murray Gold has been retained, and to date, has provided two drafts with the proposed changes. Mr. Traves and Mr. Kevin Skerret are currently reviewing the drafts. Once the drafts have been reviewed, there will be a special meeting to present the changes to the Committee.

4.2. Governance Policy Review – Governance Process

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

4.2.1. Global Governance Commitment

The Global Governance Commitment policy was reviewed. There were no changes made to the policy, at this time.

4.2.2. Governing Style

The Governing Style policy was reviewed. Clarification was provided about the recording of attendance that is being managed by the Pension Office. There were no changes made to the policy at this time.

4.2.3. Committee Job Description

The Committee Job Description policy was reviewed. There were no changes made to the policy, at this time.

4.2.4. Agenda Planning

The Agenda Planning policy was reviewed. Mr. de Montbrun noted a formatting correction required on item # 4.

There was discussion around agenda planning. During the discussion it was noted that the agenda follows a specific structure, and there is a set schedule for the review of the governance policies. With meeting dates set in advance, this allows Committee members the opportunity to add items to the agenda, by communicating them to the Co-Chairs, prior to the agenda being distributed before each meeting.

4.2.5. Cost of Governance

The Cost of Governance policy including the Committee Training and Education Policy was reviewed. Mr. Bone spoke about the new Master of Trust Management Standards (MTMS) training. The program is offered by the International Foundation of Employee Benefit Plans (IFEBP). Mr. Bone will be gathering further information on this training including the curriculum and reporting back to the Committee. The decision will need to be made whether or not this training is added as mandatory advanced core training. This will determine which budget the funding for the training is allocated from. Mr. Bone also noted that the MTMS training is being offered in Halifax during the summer of 2019.

BRING FORWARD: Mr. Bone will provide further information to the Committee to determine if the MTMS training is added as mandatory advanced core training.

MOTION: The policies were reviewed and accepted as revised.

MOVED BY: Ray MacKenzie
SECONDED BY: Scott MacDonald

MOTION PUT AND PASSED.

Mr. White called on Mr. Dwayne Tattrie to introduce Mr. Steve Blackmore from CUPE. Mr. Blackmore has been appointed as a new alternate for CUPE 108.

4.3. Governance Policy Review – Committee-Management Delegation

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

MOTION: The Delegation to the CEO policy was reviewed and accepted as presented.

MOVED BY: John Traves
SECONDED BY: Greg MacKay (*voting on behalf of Rick Dexter*)

MOTION PUT AND PASSED.

4.4. Governance Policy Review – Executive Limitations

Copies of the Asset Protection, Investment and Communication and Support to the Committee policies were provided to the Committee in their meeting packages.

4.4.1. Asset Protection:

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

Mr. de Montbrun raised an issue regarding the wording “Committee-appointed auditor’s standards” in item #4. He noted that KPMG does not audit internal controls specifically and therefore feels that this reference is incorrect. After further discussion, it was decided that the Audit Subcommittee will review the wording in this policy, and bring forward a recommendation to the Committee regarding what standards should be met.

Ms. O’Toole referred to item #6 in the policy, and asked how the Pension Plan’s public image is being measured and what the basis is for the statement ‘due to its professional management’. There was discussion about the Pension Plan’s public image versus the image that is portrayed to plan members (which is measured through the member surveys). It was also suggested that this is about the CEO’s actions, and that if the CEO acts in accordance with the Code of Conduct, Limitations and Ends, then the statement may be fine as is. It was decided that this item will be accepted as it is stated. However, Mr. Ritchie will review and provide suggested changes at the next Committee meeting.

BRING FORWARD:

ITEM #4 – the Audit Subcommittee will review the policy wording and provide a recommendation.

ITEM #6 – Mr. Ritchie will review and provide suggested changes to this item.

4.4.2. Investment:

Mr. Leonard reviewed the Investment report. The investment strategy was in compliance with the Statement of Investment Policies and Procedures as at September 30, 2018.

Mr. Bone requested that in item #1, another column be added to the table to show the year over year changes. The Pension Office will add this column to next quarterly report.

4.4.3. Communication and Support to the Committee

Mr. Leonard reviewed the quarterly report. The CEO is in compliance with the limitations associated with this policy.

MOTION: To approve the above policies as presented.

MOVED BY: Ray MacKenzie

SECONDED BY: Dwayne Tattrie

MOTION PUT AND PASSED.

5. BUSINESS ARISING FROM THE MINUTES

5.1. 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. He recommended that all Committee members review the training offerings for 2019 and participate as much as possible.

5.2. Reports on Service Standards

A copy of the HRM Pension Plan Service Standard Report – Q3 2018 was provided to the Committee in their meeting packages.

Ms. Tanner discussed the service standards report. She highlighted that there were 154 calculations processed in Q3 2018 and 100% were completed within the service standards.

There was a discussion about the cost of taking on more of the administration work in house. Mr. Ritchie advised that the Pension Office is currently analyzing the costs and will report back to the Committee at their next meeting.

It was noted that with the Pension Office performing at such high standards, perhaps it would be beneficial to review what the industry standards are and if there is potential for improvements in our service standards. The Pension Office will report back to the Committee once this information is obtained.

6. NEW BUSINESS

Mr. Traves assumed the role of Chair at 11:06 a.m. for the purposes of item 6.1.

6.1. Term of Dan White as Co-Chair

Mr. Ray MacKenzie nominated Dan White to continue as Co-Chair. Mr. Scott MacDonald seconded that nomination. There were no other nominations. Mr. White accepted the nomination.

MOTION: To appoint Dan White to continue as Co-Chair until December 31, 2019

MOVED BY: Ray MacKenzie
SECONDED BY: Scott MacDonald

MOTION PUT AND PASSED.

Mr. White resumed the role of Chair at 11:08 a.m.

6.2. Annual Approval of DB SIPP

Mr. Leonard referred to the changes highlighted throughout the document. He gave specific reference to item 3.4 and the change to the going concern discount rate that was approved for the December 31, 2017 valuation. The other changes highlighted were general in nature.

Mr. Deacoff asked about the need to reference specific dates in section 3, clauses 1-11. Mr. White is in support of having the history referenced in the document for when future decisions are made. Mr. Ritchie, further commented that the Pension Office will be reviewing the DB SIPP in detail in 2019 and will be updating the document to bring it up to a more modern format. This will include an appendix where the history of changes will be listed.

Mr. Bone started a discussion about the statement made in item 2.5. He felt that the wording should be changed to include the possibility of benefit reductions. It was decided by the Committee that “or a reduction to future benefits” will be added after the word “contributions”.

There was further discussion around section 4 and how well it is understood by the Committee. In the past there was an Investment Subcommittee in place that was responsible for adhering to this document. Now this responsibility falls to the CEO. The Committee relies on the CEO and the Pension Office to keep the Committee informed of any deviations from the SIPP. The role of the Committee is to understand and approve any changes that are being recommended by the Pension Office. It was suggested that the SIPP be added to the Annual Education Session agenda so that it could be discussed in further detail there and to address specific questions the Committee may have.

MOTION: To approve the DB SIPP dated December 6, 2018, as amended.

MOVED BY: Scott MacDonald

SECONDED BY: Andrew Bone

MOTION PUT AND PASSED.

6.3. DC SIPP Updates

Mr. Ritchie provided an update on the DC SIPP. The policy has not been revised in several years. The Pension Office is working with Manulife to review the current SIPP and the new template Manulife has provided. The Pension Office will bring back the amended SIPP for the Committee’s review at a subsequent meeting. Mr. de Montbrun asked who administers the DC Pension Plan and if it is audited? Mr. Leonard replied that it is administered by Manulife and it is not audited.

7. 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, an overview of the investment market and the Plan’s private market portfolio.

The plan member service levels were excellent this quarter with 100% 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 year to date returns and discussed the recent capital market turbulence. Mr. Ritchie then reviewed the private market portfolio's activity during the third quarter. He discussed the private market outlook and its possible implications for the Plan. A review of the infrastructure segment of the private market portfolio was also provided.

Mr. White adjourned the meeting for lunch at 11:50 p.m.

Mr. White called the meeting back to order at 12:30 p.m.

Mr. White welcomed Mr. Andrew Gough. Mr. Gough is observing as he is potentially a new alternate member for Management.

Mr. Ritchie introduced Danielle MacLeod, the new Senior Investment Associate working at the Pension Office on the private investment portfolio. Mr. Ritchie also introduced the guests from Eckler to update the pension model and long-term planning project.

8. PENSION MODELLING UPDATE

A copy of the Pension Modelling update presentation was provided to the Committee prior to the meeting. Mr. Philip Churchill, Mr. Chris Murphy and Ms. Jennifer Urquhart, Principals for Eckler, joined the meeting.

Mr. Murphy outlined the goals for today's meeting. He gave an overview of the meetings that took place with the working group, the work plan and provided a summary of what has been accomplished to date. He then provided an overview of the next steps in the process. Mr. Churchill then provided a recap of the interview findings. This review included a summary of the key principles and objectives that were established during the interview process.

Mr. Churchill talked about the regulatory changes happening in Nova Scotia and the impact that they may have on the Plan. The legislative changes being proposed in Nova Scotia are rumored to be like the recent changes to the pension funding rules in Ontario. This new legislative framework may end up changing the minimum funding requirements. Mr. Churchill gave an example of how these changes could potentially impact the HRM Pension Plan.

Mr. Moore asked about why the regulators are changing the rules? Mr. Churchill responded that the changes are mostly to try to help clients who are subject to solvency funding.

Mr. Murphy mentioned that certain pension plans in Ontario have been exempt from the new funding rules. He suggested that this is an Ontario specific exemption and there is no guarantee

that plans in Nova Scotia would be exempt from the new funding rules when they come in force. Mr. Murphy also noted that a big reason for the changes to the funding rules relates to the idea of benefit security. In the past, certain plans were running valuations that essentially had no margins in their discount rates and no ability to withstand adverse movements in plan assets or liabilities. Regulators needed to find a way to encourage or force plans to build in a margin while encouraging plan sponsors to continue to offer DB pension plans.

Mr. Murphy gave a recap of the modelling that has been done. He reviewed the three key financial metrics established by the working group (long term costs, annual contribution volatility and long-term contribution level) and discussed the targets for each of these metrics. Mr. Murphy then talked about the assumptions and methods that are being used in the model. Mr. Murphy proceeded to review the current Plan, discussing normal cost, liabilities, liability split, contributions and funded ratio based on the Plan's current design. He suggested that, while the Plan's funded ratio is important, it is not one of the key metrics the group is focusing on. This is because the funded ratio is "self-correcting". When things are bad the model assumes that more money goes into the Plan which increases the funded ratio, but with a big cost. The modelling showed that with the current Plan design the financial metrics are not being met.

Mr. Bussey then asked, in terms of annual returns, what does the model assume?

Mr. Murphy responded that the model runs thousands of scenarios and each scenario generates a different return, but on average over all the scenarios, the return would be close to the discount rate.

There was further discussion and clarification provided around the current and target numbers for each of the key financial metrics.

Mr. Murphy talked about the different potential Plan designs that have been discussed with the working group. He demonstrated how two different preliminary Plan designs could help the Committee meet the desired financial metrics.

The next step in the process will be to investigate the impact of the new funding legislation once it is announced in Q1 2019. Once the new legislation is announced, Eckler will incorporate these new funding rules into the model and the working group will reconvene to discuss the impact. An update will be presented to the full committee at the upcoming March 2019 meeting.

9. EDUCATION SESSION

Mr. White asked Mr. Mohanan to introduce the guests for the education session. Mr. Mohanan introduced Mr. Akhil Unni, Director, Partner, Infrastructure Investments and Ms. Aris Hatch, Managing Director, Client Group of GCM Grosvenor. Mr. Unni and Ms. Hatch joined the meeting to provide the members with a sector update on infrastructure investments.

A copy of this presentation will be distributed to the members of the Committee after the meeting.

10. OTHER BUSINESS

10.1. Notice of Resignation

Mr. Mike Lawlor, gave his formal resignation to the Committee in November. Mr. White noted that Mr. Brian Leslie, currently an alternate, is willing to step in as the voting member. The nomination of Mr. Brian Leslie was made by Mr. John Traves, and seconded by Mr. Gordon Roussel (voting on behalf of Jerry Blackwood). At this time, Mr. Scott MacDonald nominated Mr. Mark Hartlen for the voting retiree member.

Mr. Traves requested that a bio-background be prepared for each of the nominees.

The appointment of the new voting retiree representative will be deferred to the next Committee meeting pending the acceptance of the nomination of Mr. Mark Hartlen

10.2. Appointment of New Members

Mr. White announced the appointments of Ms. Jane Fraser, Management Voting representative, Ms. Nicole Evenden, Management Alternate representative and Mr. Steve Blackmore, CUPE 108 Alternate representative.

11. DATE OF NEXT MEETING

The next Committee meeting is scheduled for March 28, 2019. The dates for the 2019 meetings were provided and have been confirmed and sent out to the Committee.

12. ADJOURNMENT

MOTION: To adjourn the HRM Pension Committee meeting at 3:08 p.m.

MOVED BY: Ray MacKenzie

SECONDED BY: Mike Sampson

Dan White, Co-Chair