

HALIFAX REGIONAL MUNICIPALITY PENSION COMMITTEE MEETING

Thursday, June 11, 2020

Microsoft Teams Meeting

9:00 am – 12:00 pm

Members:

John Traves, Management, Co-Chair
Jane Fraser, Management
Britt Wilson, Management
Mike Sampson, Management
Ray MacKenzie, ATU
R. Scott MacDonald, HRP
Dwayne Tattrie, CUPE 108
Andrew Bone, NSUPE
Mark Hartlen, Retiree
Jerry Blackwood, Management

Alternates:

Renée Towns, Management
Marlinda Mooney, NUMEA (acting for Greg MacKay)
Jason Snow, HRP
Dan Axford, IAFF (acting for Dan White)
Brett Hartlen, IAFF
Scott Lillington, CUPE 108
Steve Blackmore, CUPE 108
Cameron Deacoff, NSUPE
Melanie Gerrior, NSUPE
Steve Higgins, Management
Jack Dragatis, ATU
Jon Beer, HRP

Participating Employers:

Anne Patterson, HRCE
Allan Campbell, Halifax Water

Staff:

Robert Ritchie, CEO
Lisa Tanner, Director, Plan Member Services
Mark Whidden, Director, Pension Management
Matt Leonard, Director, Finance & Operations
Darin Eddy, Director, Public Markets
Vishnu Mohanan, Director, Private Investments
Melissa White, Executive Assistant

Guests:

Joe Kaiser, President, NSUPE 13
Dee Vipond, NSUPE 13
Brendan Meagher, President, IAFF
Carey Blair, KPMG LLP
Philip Churchill, Eckler
Mary Kate Archibald, Eckler

An In-Camera meeting was held on June 10th from 1:00pm to 2:00pm.

1. Call to Order

Mr. Traves called the meeting to order at 9:05am. He welcomed returning member Melanie Gerrior, NSUPE Alternate and new member Steve Higgins, Management Alternate to the Committee.

2. Approval of Agenda

There were no objections to the agenda as presented.

3. Approval of Minutes, December 5, 2019

Moved by R. Scott MacDonald and seconded by Jane Fraser to approve the December 5, 2019 minutes as presented. Motion put and passed.

4. Term of John Traves as Co-Chair Expired June 8, 2020

Moved by Britt Wilson and seconded by Jerry Blackwood to renew John Traves' position as Co-Chair for another term. Motion put and passed.

5. Governance Review

5.1. Committee Self Monitoring

5.1.1. Process

5.1.2. Performance

Mr. Traves asked the Committee if there were any points to discuss, no points were raised.

5.2. Governance Policy Review – Governance Process

5.2.1. Committee Principles

5.2.2. Committee Structure

5.2.3. Chief Governance Officer's Role

5.2.4. Committee Members' Code of Conduct/Privacy Policy

Moved by Ray MacKenzie and seconded by Mike Sampson to approve the above policies as presented and amended. Motion put and passed.

5.3. Current Governance Policy Quarterly Review Timetable

Moved by Andrew Bone and seconded by Ray MacKenzie to approve the timetable as presented. Motion put and passed.

5.4. Governance Policy Review – Committee Management Delegation

5.4.1. Monitoring CEO Performance

Moved by Dwayne Tattrie and seconded by Andrew Bone to approve the above policy as amended. Motion put and passed.

5.5. Ends

5.5.1. Ends Statement

Moved by Ray MacKenzie and seconded by Mike Sampson to approve the above policy as presented. Motion put and passed.

5.6. Governance Policy Review – Executive Limitations

5.6.1. Interim CEO Succession

5.6.2. Asset Protection

5.6.3. Global Executive Constraint

5.6.4. Treatment of Plan Members

5.6.5. Treatment of Staff

5.6.6. Financial Conditions and Activities

5.6.7. Investment

5.6.8. Communication and Support to the Committee

Mr. Leonard reviewed each policy. For the Asset Protection Report, Ms. Tanner provided the Committee with an update on the progress of the 2020 Pension Audit. Ms. Gerrior asked if the Office insurance coverage mentioned in the Asset Protection report covers Pension Office assets while staff work from home. Mr. Leonard said he will check with the insurance provider and provide an update to the Committee. Ms. White will be emailing the Code of Conduct and Privacy Policy to all Committee members to sign and return to the Pension Office.

For the Communication and Support report, Mr. Leonard advised the Committee that the 2019 annual statements were mailed Friday June 5th and the members receiving electronic versions received their emails on Monday June 8th. An update was provided to the Regulatory Filing spreadsheet that the DB AIR was filed on June 1st and the DC AIR was filed on June 8th.

Moved by Jane Fraser and seconded by Ray MacKenzie to approve the above policies as presented. Motion put and passed.

6. Annual Financial Statements

6.1.1. Review of 2019 Draft Audited Financial Statements

Mr. Carey Blair from KPMG LLP joined the meeting and briefly reviewed the audit process for the year ended December 31, 2019 for the HRM Master Trust and HRM Pension Plan. He discussed the impact of COVID-19 on the audits and the addition of a subsequent event note to the financial statements. He highlighted that the audit opinions were unqualified and that there were no outstanding audit items.

6.1.2. Recommendation to approve the 2019 Audited Financial Statements

On behalf of the Audit Subcommittee, Mr. Blackwood recommended that the Pension Committee approve the December 31, 2019 draft audited financial statements of the HRM Master Trust and the HRM Pension Plan.

Moved by Jerry Blackwood and seconded by Dwayne Tattrie to approve the December 31, 2019 draft audited financial statements as presented and recommended by the Audit Subcommittee. Motion put and passed.

7. Training & Education Update

7.1.1. Training & Education Policy Review

Mr. Bone highlighted some of the edits to the Training & Education policy. There was discussion by the Committee around the deviation process, how deviations are managed, the increasing cost of conferences and training budget allotments.

Mr. Traves asked that a friendly amendment be made to point (iii) under 'Individual Training and Education Budget' on page 5 of the policy. The amendment is, '... subject to a recommendation of the Training and Education Sub-Committee and the approval of the Co-Chairs, **provided that there are sufficient funds remaining in the overall annual training budget.**'

Moved by Andrew Bone and seconded by Ray Mackenzie to approve the Training & Education policy as amended. Motion put and passed.

7.1.2. Training & Education Sub-Committee Mandate

Mr. Bone outlined the changes made to the mandate. The changes are consistent with the those made to the Training & Education policy.

Moved by Andrew Bone and seconded by Britt Wilson to approve the mandate as amended. Motion put and passed.

7.1.3. 2019 Deviations

Mr. Bone presented the 2019 deviations from the annual training and education budget. He asked the Committee to approve the absorption of the deviations using the remaining overall budget from 2019.

Ms. Fraser asked if the Training & Education Sub-Committee should review the annual training budget for alternates. Mr. Bone agreed that based on the increase in costs to attend educational events and that the last review was done a couple of years ago, that the Sub-Committee will review the training budgets and report back to the Committee with any recommendations.

Moved by Andrew Bone and seconded by Ray MacKenzie to use the remaining 2019 Training & Education Budget to absorb the cost of the deviations. Motion put and passed.

7.1.4. Expense Policy Review

Mr. Bone explained to the Committee that the policy and appendices as presented reflect changes that were approved at the Committee meeting in December. Mr. Traves requested that language be added to the policy stating that if you request reimbursement of expenses in excess of the daily maximum for any one meal, then receipts for all meals for the day need to be provided to the Co-Chair for approval.

Moved by John Traves and seconded by R. Scott MacDonald to approve the Expense policy as amended. Motion put and passed.

7.1.5. Budget Update

Mr. Bone presented the Committee with an update on the training & education budget expenditures to date.

8. Plan Member Service Update

8.1.1. Report on Service Standards – Q1 2020

8.1.2. Report on Service Standards – 2019 Calendar Year

Ms. Tanner presented the Service Standard Reports to the Committee explaining that there was minimal disruption in the high service standard levels during the transition to working from home. Mr. Wilson congratulated the Plan Member Services team on a job well done.

9. Annual Approval of DC SIP&P

Mr. Whidden reminded the Committee of the review that was done in 2019 of the Manulife DC Plan and its SIP&P. He also let the Committee know that under the revised Nova Scotia Pension Benefits Regulations, member directed DC plans no longer require a formal SIP&P to be filed.

The Committee discussed the size of the plan, the cost to administer it, whether it was possible to transfer the remaining members to the HRM DB or DC plans and a possible wind-up of the plan. The Committee asked the Pension Office to check on the ability to transfer remaining members into the HRM DB or DC plans and report back to them.

Mr. Traves asked the Committee if they would like to continue to review the DC SIP&P annually.

Moved by R. Scott MacDonald and seconded by Ray MacKenzie to continue to review the DC SIP&P annually and to approve the DC SIP&P as amended. Motion put and passed.

10. CEO Update

Mr. Ritchie presented the CEO Update to the Committee. In addition to a review of the first quarter results, he also provided an overview of the impacts that the COVID-19 pandemic has had on the Pension Plan's investments and how it has impacted Pension Office operations.

11. Pension Update

11.1.1. Pension Legislation

Mr. Whidden walked the Committee through a presentation that outlined the changes that resulted from the new Nova Scotia pension funding regulations and how they would impact the HRM Pension Plan.

Highlights from the new Nova Scotia pension funding regulations;

- New regulations will begin to impact the HRM Pension Plan starting with the December 31, 2019 valuation, which is currently in-progress
- The Plan continues to be fully exempt from funding on a solvency basis
- The Plan will be required to fund on an 'enhanced going concern' basis. Key changes relative to the old going concern methodology include:
 - Requirement to fund an explicit Provision for Adverse Deviation ('PfAD') on Plan liabilities
 - Deficits being amortized over 10 years instead of the current 15-year periodThe mechanics of these two changes were reviewed during the presentation
- Permitted to use a 3-year valuation cycle, regardless of the Plan's solvency position
- The Pension Office will need to work to review the Plan's SIP&P to develop target asset allocations to some sub-asset classes (ex. private equity, private debt, infrastructure and real estate). This work is to be done in conjunction with an asset-liability study, which is currently in-progress
- There is a phase-in period to implement any contribution increases that result from the new funding regulations

Mr. Sampson asked about the use of reserve accounts and whether it was optional. Mr. Whidden responded that it is optional. Mr. Sampson asked about the process for reserve accounts and if all employers have to be in agreement. Mr. Whidden said he would look into this and get back to the Committee.

Moved by R. Scott MacDonald and seconded by Ray MacKenzie that the asset mix, as presented, is appropriate for all calculations related to determining the Plan's regulatory Total Minimum Required PfAD, pending revisions to the Plan's Statement of Investment Policies & Procedures.

11.1.2. 2019 Preliminary Actuarial Valuation

Mr. Philip Churchill and Ms. Mary Kate Archibald, Principals for Eckler, joined the meeting.

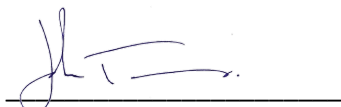
Mr. Churchill presented the Committee with a summary of how the Plan's membership and assets evolved during 2019. He then proceeded to present the Plan's December 31, 2019 preliminary valuation results. After updating several assumptions (termination rates & discount rate) and reflecting the new Nova Scotia pension funding regulations, the Plan is 91.8% funded on a going concern basis. There is a 0.2% of payroll contribution buffer, based on current contribution rates, once new special payment schedules and current service cost contribution rates are considered.

Final valuation results, including solvency results, will be presented at the September Committee meeting before being filed with the regulator.

12. Adjournment

The next meeting is September 24, 2020. Details will follow on whether it will be in person or virtual.

Moved by Andrew Bone to adjourn the meeting at 12:50pm. Meeting adjourned.



John Traves, Co-Chair