

Halifax Regional Municipality Pension Plan
Minutes of Annual General Meeting
Wednesday, June 20, 2013, @ 4:30 p.m.
World Trade and Convention Centre
1800 Argyle Street, Halifax, NS

MEMBERS AND ALTERNATES PRESENT:

Britt Wilson, Co-Chair, Management
Scott MacDonald, Co-Chair, HRP
Audra Abbott, NUMEA
Jack Dragatis, ATU Alternate
Nigel Field, Retirees Alternate
Melanie Gerrior, NSUPE Alternate
Sherry Hilchey, NUMEA Alternate
Michael Lawlor, Retirees Representative
Ray MacKenzie, ATU
Ted Moore, IAFF Alternate
Jennifer Purdy, NSUPE
Gordon Roussel, Management
Mike Sampson, Management
Dan White, IAFF

STAFF:

Terri Troy, Chief Executive Officer
Glenn Hirschfeld, Director of Pensions
Matt Leonard, Manager, Finance & Operations
Angela Rushton, Manager, Pension Services
Alex Longmire, Senior Investment Associate
Marisa MacMullin, Pension Consultant
Jeanette Huck, Pension Assistant
Donna Bayers, Executive Assistant
Abbie Sui, Senior Investment Associate

OTHERS:

Margaret Barry, Halifax Regional Library

The meeting was called to order by Mr. R. Scott MacDonald, Co-Chair, at 4:35 p.m.

1. INTRODUCTION OF MEMBERS

Mr. Scott MacDonald welcomed everyone to the Annual General Meeting and introduced himself and Mr. Britt Wilson as the Co-Chairs of the HRM Pension Committee.

Mr. Scott MacDonald also introduced the members of the Pension Committee who attended the meeting.

2. APPROVAL OF MINUTES

Moved by Audra Abbott and seconded by Raymond MacKenzie that the minutes be approved as presented. MOTION PUT AND PASSED.

3. PRESENTATION

Mr. Scott MacDonald introduced Ms. Terri Troy, CEO HRM Pension Plan to provide an overview of the Plan.

Ms. Troy presented an overview of the funded status of the Plan, investment review, Pension Committee accomplishments in 2012 as well as goals for 2013.

Ms. Troy reported that the Plan was approximately 85% funded on a going concern basis and approximately 61% funded on a solvency basis as at December 31, 2012. In January 2013, the Nova Scotia Government informed her that the HRM Pension Plan no longer was required to fund deficits related to solvency funding. This is a significant accomplishment for the Pension Committee. The previous requirement to fund solvency deficits was extremely onerous for the Plan and would have resulted in significant contribution increases and/or significant benefit reductions only to meet a test that is in place to ensure adequate funding of a pension plan if an employer goes bankrupt. The NS Government granted the exemption to fund solvency deficits because there is an extremely low probability of HRM going bankrupt. The Plan's members wanted the exemption, and most municipal pension plans across Canada have the exemption.

The long-term expected rate of investment return is 6.25% annualized. This is the amount, determined by the Plan's actuary, which the Plan has to earn on average each year to fund current and future pension obligations.

As of December 31, 2012, the current base contribution rate was 10.36% for each plan member matched by their employer. An actuarial valuation has been completed and will be submitted to the Superintendent of Pensions for approval by the end of 2013. The actuary has calculated that the base contribution rate will need to increase from 10.36% to 11.96%.

Ms. Troy reviewed the Plan's investments and reported that the Plan earned +12.01% for 2012, +7.99% annualized for the 3-year period ending December 31, 2012, +4.19% annualized for the 5-year period ending December 31, 2012, 7.10% annualized for the 10-year period ending December 31, 2012 and +6.38% annualized since October 1999, the inception date for performance measurement purposes. The 2012 return of 12.01% added approximately \$156 million to the Plan in 2012, of which \$64 million was due to active management above index returns. . For the January – April 2013 period, the Plan earned approximately 3.9% and so far is on track to meet the long-term 6.25% objective. However, investment returns are extremely volatile due to volatile markets and can change dramatically.

Ms. Troy reviewed the asset mix as of December 31, 2012:

Canadian Equity	16.6%
Global Equity	20.3%
Minimum Target Return	18.9% (objective is to earn 6.75% net of fees)
Fixed Income	43.6%
Cash	0.6%

Key Accomplishments for 2012

Ms. Troy reviewed the Pension Committee's accomplishments for 2012 including:

- Obtained permanent exemption from funding solvency deficits in January 2013.
- Earned 12.01% in 2012, exceeding the benchmark by 4.89% and exceeding the average Canadian pension plan performance by 2.61%.
- Made commitments and invested in: infrastructure, real estate, private debt and private equity. Commitments in these investments increased from \$146.0 million to \$329.5 million and invested capital increased from \$54 million to \$237.1 million.
- Implemented one-time cost savings of approximately \$533,300 and on-going savings of approximately \$2.8 million per year. One time savings are primarily due to lower legal costs achieved through cost sharing arrangements with other pension plans, and lower negotiated , custody costs, pension administration, and investment fees. Annual savings are primarily due to reduced investment management expenses.
- Implemented a plan member survey with a response rate of 56% providing an "excellent" rating.
- Enhanced the HRM Pension Plan website for plan members and the Pension Committee and launched a retirement calculator tool for plan members.
- Implemented a new pension administration filing system and member communication tracking system for increased efficiency and improved plan member service.
- Enhanced written communications to members regarding marriage breakdowns, service purchases and pension estimates.

Goals for 2013

Ms. Troy reviewed the Committee's goals for 2013 including:

- Ensure Plan Text is compliant with the new Pension Benefits Act and new Regulations
- File December 31, 2012 Actuarial Valuation Report before December 31, 2013
- Reduce unnecessary costs by continuing to negotiate better fees with third party suppliers
- Participate in private co-investment deals such as real estate, private equity, infrastructure and private debt
- Continue to increase exposure to private debt and tactically manage asset exposures on an opportunistic basis
- Reduce external costs of doing business by bringing in functions internally where practical
- Hire a Manager, Finance & Operations to review and test internal controls, produce monthly financials and oversee custodian and financial holdings

- Continue to improve plan member service

4. QUESTIONS AND ANSWERS

Q: Mr. Mike Rudder asked if the excess return included fees?

A: Ms. Troy replied, no, this does not include fees. The industry compares itself on gross return numbers since each plan has different fee arrangements. The total fees for operating the HRM Pension Plan are approximately 0.50%.

Q: Mr. Ike Kent asked if a pensioner dies, does the spouse get 60% of the pension?

A: Ms. Rushton explained that this would depend on which plan the member was with on retirement. There are presently four different plans. The spousal benefit can range from 60 - 66 2/3% of the member's pension depending on which Plan the member belongs to.

Q: Mr. Kent asked what was the spousal benefit for the former City of Halifax?

A: Ms. Rushton replied, 60%.

Mr. B. Wilson asked if there was any other business.

Q: Mr. Scoville referred to the current rules regarding the amount of time you need to work to obtain an HRM pension. He felt that two years was not enough time to be entitled to a pension and that this may not look good to the public. He asked if this could be changed?

A: Mr. B. Wilson replied that the current statutory requirement is to be vested after two years. This can only be changed by the Nova Scotia legislature under the Pension Benefits Act. Ms. Troy added that no minimum number of years is required. If Mr. Scouville was concerned with there being no minimum requirement for the number of years of service to get a pension, Mr. Wilson suggested that Mr. Scoville raise this issue with the ATU representative on the Committee who could then bring it to the Pension Committee for review.

Q: Ms. Brenton asked if the State Street legal case has been settled?

A: Ms. Troy replied that this matter has been resolved and the lawsuit settled in 2012. The terms of the settlement cannot be disclosed due to strict confidentiality provisions in the settlement agreement. The Plan is currently not involved in any law suits.

Q: Ms. Brenton asked if this money goes back into the Pension Plan?

A: Mr. Troy replied, yes, but the amount of the settlement cannot be disclosed.

Mr. B. Wilson recognized the retirement of Mr. Glenn Hirschfeld, Director of Pensions, HRM Pension Office, for his many years of service to the Committee as well as all plan members.

5. **ADJOURNMENT**

**Moved by Dan White and Seconded by Melanie Gerior to adjourn the meeting at 5:30 pm.
Motion Put and Passed.**

R. Scott MacDonald, Co-Chair