

# Halifax Regional Municipality Pension Plan

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## **Funding Policy Frequently Asked Questions**

Q1. Why did we adopt the Funding Policy?

- A. The HRM Pension Plan adopted the Funding Policy for a number of reasons. The Funding Policy is really an opportunity to provide members with insight into how we will make future decisions. It provides considerations and strategies for dealing with different scenarios in the long-term and short-term.

It also promotes transparency and guides prudent plan administration and public governance. The Funding Policy provides a means for ongoing review, discussion and evaluation of decision making about funding and surplus use.

Q2. What does it mean to me?

- A. For individual plan members, the Funding Policy means strengthened benefit security and equitable treatment for all members. The Funding Policy may also provide stability by reducing the risk of increased contributions or benefit reductions.

Q3. Why are we doing this now?

- A. Adopting the Funding Policy was a proactive measure by the Pension Committee. Recently there have been several expert commissions that have recommended funding policies be in place for pension plans. Funding policies have also been recommended by review bodies such as the Canadian Association of Pension Supervisory Authorities (CAPSA).

For the HRM Pension Plan, adopting the Funding Policy was also especially timely given the growing inequity in the system caused by the Amalgamation Surplus Policy (ASP).

Q4. What was wrong with the Amalgamation Surplus Policy (ASP)?

- A. In short, the ASP dealt only with surpluses. It was not a good long-term tool for allocating surplus as it did not consider growing liabilities. With the passage of time, the ASP created increasing inequities in the system. It was inconsistent with the Funding Policy, and so it was terminated. The

Funding Policy is a much broader document and covers both surpluses and deficits.

Q5. How is a surplus determined?

A. Surplus means the excess of the value of the assets of a pension fund over the value of the liabilities under the pension plan, both calculated in the prescribed manner required by the Pension Benefits Act of Nova Scotia. A surplus is estimated when actuarial valuations reports are produced and filed with pension regulators. Estimated surplus can be positive or negative depending on the value of assets and liabilities on any given day. Actual surplus is not known until a plan is wound up.

Q6. Where did the surplus that we had when we amalgamated go?

A. Falling interest rates have increased the value of pension obligations and recently, pension assets have not kept pace with the assumed long-term rate of return. The surplus identified at amalgamation turned into a deficit. If the prior plans had not been amalgamated, it is estimated that each of the prior plans would have gone into deficit at some point after amalgamation.

Q7. I thought I was entitled to a surplus payout. What happened to it?

A. There is no surplus. Based on the current economic situation, if your pre-amalgamation plan had continued, it is estimated that it would also have gone into a deficit position.

Q8. Does this new Funding Policy affect my entitlement to surplus?

Your legal right to a distribution of surplus is not affected by the termination of the Amalgamation Surplus Policy and the adoption of a new Funding Policy. Rights to surplus are not affected by Committee Policies. Rather, this will depend on the law and circumstances at the time that a distribution of surplus can be made. The new Funding Policy provides guidelines to the Committee for the possible use and distribution of surplus.

Q9. Who developed the Funding Policy, and who approved it?

A. It was developed by staff and professional advisors. The Pension Committee debated it, modified it and approved it.

Q10. Now that the Funding Policy is approved can I still provide input?

A. Absolutely. The Funding Policy is a living document and as such is subject to ongoing review and modification. If you have comments, they are welcome. Please see our contact information below.

Q11. Will the Funding Policy change the amount of pension I receive, or when I can receive it?

A. No, the Funding Policy makes no changes to the amount or timing of pension receipt.

Q12. Is this new Funding Policy related to the downturn in the financial markets?

A. No, adopting the Funding Policy is not related to the downturn in the financial markets. Please refer to the question above which explains our timing.

Q13. Is this new Funding Policy related to the State Street lawsuit?

A. No, this is not related to any pending lawsuits.

Q14. Is this new Funding Policy related to our pending plan amendment to delay the date a terminated member can get an unreduced pension?

A. No, this is not related. The planned amendment is in response to stabilizing contribution rates.

Q15. Where can I get more information?

A. The new Funding Policy is posted on [www.hrmpensionplan.ca/system](http://www.hrmpensionplan.ca/system) or contact the HRM Pension Office at 902-490-6213 or 1-888-490-6213, or contact your Pension Committee representative. We look forward to hearing from you.

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