Revised & Approved November 19, 2015

Halifax Regional Municipality Pension Plan ("Plan")
Funding Policy

Effective Date: – November 19, 2015

Purpose: This Policy establishes

- funding objectives for the Plan
- guidelines for the management of deficits and surpluses

1. Pension Plan Funding Objectives

(a) Full benefit security as determined by applying appropriate going concern actuarial methods and assumptions.
(b) Stable and affordable going concern contributions over the long term allocated evenly between employers and employees, as determined by applying appropriate going concern actuarial methods and assumptions.
(c) Align cost to periods of employment and membership in the Plan to achieve intergenerational equity.
(d) Provide equitable benefits.
(e) Avoid benefit reductions.
(f) Avoid funding deficits/surplus accumulations beyond prudent safety margins established by law or best industry practices.
(g) Promote certainty and confidence in the funding program consistent with the promised defined benefits.

2. Funding Risks

(a) Funding risks are identified in the context of the nature of the Plan and the sponsoring employers. The Plan is a defined benefit pension plan. The Sponsor is a major municipality with direct and indirect taxing powers. There are 13 other participating employers who have a legacy relationship with HRM.
(b) Benefit security is not at risk if the Plan is insufficient to settle all benefits on a full wind up of the Plan, as a full-wind up is a highly unlikely event given the nature of the sponsoring employers as public institutions.
(c) Primary focus is on Going Concern Funding because the HRM Pension Plan has been granted permanent exemption re: funding solvency deficits.
(d) Benefit security and stability of contributions are affected if:

- actual Plan experience, either in the short-term or the long-term is different from demographic and economic actuarial assumptions;
- the demographic makeup of the active membership base changes over time thereby affecting current service costs; or
- the Plan's total liabilities increase in proportion to the pensionable earnings base from which contributions stem.

(e) Improvident use of estimated surplus.

3. Funding Risk Mitigation – Long–Term Strategies

(a) The Plan is inherently a retirement income security risk mitigation instrument by virtue of the fact that it pools risk among a large and diverse number of participating employers and employees.

(b) The representational governance structure mitigates risk.

(c) Funding risk is managed by:

- ***Periodic Actuarial Valuation.*** Actuarial valuations are used to determine the financial position of the Plan for prudential management purposes, for government reporting purposes, and to maintain the registered status of the Plan for tax and pension standards purposes. Different methodologies and periodic testing should be employed for funding purposes, cash flow purposes, solvency testing and to determine the financial state of the Plan under various economic and demographic conditions.

    - If funding valuations reveal a "funding surplus" in excess of prudent margins, the Committee should determine how best to utilize such "surplus" under the circumstances then prevailing, having regard to the Plan funding objectives identified in section 1 above, and understanding that such "surplus" is only a paper estimate that cannot be actually quantified or realized unless the Plan is wound up. Potential uses for surplus include:

        - Reinstating any benefit reductions (retroactively or on a go forward basis). This would require an amendment.
        - Implementing any outstanding proposed amendments.
        - Increases to pensions in the course of payment subject to Section 11.01 of the Master Text.
        - Understanding the requirement to pay the full cost of any amendment up front at the time of implementation, if required.

    - Considering the prior plans' committees' suggested improvements for service prior to April 1, 1998 when it considers further benefit improvements to the plan.
    - De-risking investments.
    - Halting contributions when the going concern surplus is 125% as prescribed by law.

  - If funding valuations reveal a "funding deficit" the Committee will determine how best to improve the funded status, while balancing the integrity of the benefit promise and stabilizing longer term volatility in contributions, having regard to the funding objectives, and understanding that such "deficits" are estimates only.

- ***Prudential Investment Management.*** Prudential management of Plan fund investments in accordance with appropriate policies and procedures, including the management of liquidity risks.

- ***Plan Policy Disclosure and Review***. Regular articulation and disclosure of Plan policies and decision making processes promotes trust through transparency. Review of policies and decision-making processes ensures discussion and debate and provides an opportunity to identify potential risks and a platform for new ideas to emerge.

- ***Participation by Stakeholders***. Participation of a broad cross-section of active and inactive member stakeholders in Plan governance assists in identifying and addressing risks.