

**HALIFAX REGIONAL MUNICIPALITY  
PENSION COMMITTEE**

**March 20, 2014**

**The Halifax Club, Morrow Room**

**9:00 a.m. – 4:00 p.m.**

MEMBERS: Audra Abbott, NUMEA  
Sheldon Harper, CUPE  
Michael Lawlor, Retiree  
R. Scott MacDonald (HRPA), Co-Chair  
Raymond MacKenzie, ATU  
Roxanne MacLaurin, Management  
Bill Moore, Management (*left at 1:30 p.m.*)  
Jennifer Purdy, NSUPE  
Gordon Roussel, Management  
Mike Sampson, Management  
Britt Wilson, Management, Co-Chair  
Dan White, IAFF

ALTERNATES: Jerry Blackwood, Management (*left at 11:30 a.m.*)  
Andrew Bone, NSUPE  
Stephen Bussey, IAFF  
Gerard Cottreau, Management  
Jack Dragatis, ATU  
Nigel Field, Retiree (*left at 1:00 p.m.*)  
Melanie Gerrior, NSUPE  
Dwayne Hodgson, HRP  
Greg Keefe, Management  
Ted Moore, IAFF  
Peter Nixon, HRP  
Jordon Taylor, CUPE  
John Traves, Management  
Mike Young, CUPE

STAFF: Terri Troy, CEO  
Donna Bayers, Executive Assistant  
Angela Rushton, Manager, Pension Services  
Matt Leonard, Manager, Finance & Operations  
Marisa Tobin, Pension Consultant, Pension Services (*left after lunch*)  
Alex Longmire, Manager, Pension Investments (*arrived at 11:30 a.m.*)  
Abbie Sui, Senior Investment Associate (*arrived at 11:30 a.m.*)

OTHERS: Margaret Barry, Halifax Regional Library  
Diane Levandier, Sackville Sports Stadium  
Cheryl Little, Halifax Water  
Anne Patterson, Halifax Regional School Board  
Cathie O'Toole, Halifax Water

OBSERVER: Brian Leslie

**1. CALL TO ORDER**

The meeting was called to order at 9:15 a.m. by the Co-Chair, Mr. R. Scott MacDonald. An In-Camera meeting will be held at the end of the Pension Committee meeting to discuss CEO performance and a personnel matter.

The Pension Committee welcomed and introduced four new Alternate Representatives to the Committee. They are Mike Young, CUPE 108, Jordan Taylor, CUPE 108, Greg Keefe, Management and John Traves, Management.

**2. APPROVAL OF THE AGENDA, ADDITIONS, AND DELETIONS**

*Moved by Mike Lawlor and Seconded by Jennifer Purdy to approve the agenda as presented. Motion Put and Passed.*

**3. APPROVAL OF MINUTES – November 21, 2013**

Ms. Abbott referred to Page 8, 7<sup>th</sup> paragraph, insert “the beneficiary” after “then” in 3<sup>rd</sup> line.

Mr. Sampson referred to Page 11, 4th paragraph, change “filed by HRM” to “filed by HRM Pension Office.”

*Moved by Mike Sampson and Seconded by Ray MacKenzie to approve the November 21, 2013 minutes as amended. Motion Put and Passed.*

**4. GOVERNANCE REVIEW**

**4.1 Committee Self-Monitoring STANDING ITEM (Committee)**

- Process
- Performance

The Committee reviewed and made no changes.

**4.2 Governance Policy Review – Governance Process – (Committee)**

(a) Chief Governance Officer’s Role

The Committee reviewed and made no changes to this policy.

(b) Committee Members’ Code of Conduct/Privacy Policy

Ms. Bayers will provide a copy of the Code of Conduct Policy for Voting Members and Alternates to sign. The Code of Conduct is signed annually. Mr. Traves referred to Paragraph 6 of the Code of Conduct Policy regarding, “the Committee shall have the absolute discretion to refuse to accept the appointment of a new Member...” He

asked if this was consistent with the Plan Text? Mr. Wilson replied that in this case the Committee would ask for an appointment of a new member if the member being appointed could have a negative impact on the Plan. Mr. Field added that this sentence was added for those members who refused to sign the Code of Conduct. Ms. Abbott also added that this was added in the event that the member being appointed had been convicted of a criminal offense. Ms. Troy stated that she would ask Ron Pink to attend the next Pension Committee meeting to address any concerns about the Code of Conduct being inconsistent with the Plan Text.

Mr. Sampson referred to Page 3, part (a), of the Privacy Policy. He asked if the third party administrator is appointed by the Committee? Ms. Troy replied that the Committee delegated this authority to the CEO. It is fine as written. He also asked if the Co-Chairs get notified of any privacy breaches or complaints about privacy? Ms. Troy replied, yes, she reports on this in the Treatment of Plan Members Monitoring Report.

(c) Monitoring CEO Performance

The Committee reviewed and made no changes to this policy.

(d) ENDS Statement

The Committee reviewed and made no changes to this policy.

***Moved by Ray MacKenzie and Seconded by Gordon Roussel to approve the review of the above policies as presented. Motion Put and Passed.***

#### **4.3 Governance Policy Review – Executive Limitations – Monitoring Reports (T. Troy)**

(a) Global Executive Constraint

The CEO is in compliance with the limitations associated with this policy. There are no updates since the last report dated March 21, 2013.

(b) Treatment of Plan Members

The CEO is in compliance with this Executive Limitation. Meetings with plan members are held in private meeting rooms or offices. Plan member information is kept in secure databases, and paper files are locked away when Pension Office Plan Member Services staff are not present. Access to systems containing plan member information is limited to Pension Office Member Services staff. The only personal information collected on plan members is that which is needed to administer the Plan.

(c) Treatment of Staff

The CEO is in compliance with the limitations associated with this policy. A revised report was distributed to the Committee. All staff have a copy of HR Policies. All staff have a copy of emergency contacts for all staff. Matt Leonard and Jeanette Huck of the Pension Office completed the Standard First Aid Training course in June 11-12, 2013. All staff can access phone and email when offsite. All relevant staff have access to the network remotely.

Ms. Abbott asked if the Employee & Family Assistance Program (EFAP) report should also be reported under this policy in addition to Communication and Support to the Committee? Ms. Troy said that it could go in either place but best left under Communication and Support to the Committee report since this issue will most likely be resolved.

(d) Financial Condition and Activities

A revised report was distributed to the Committee. This report is provided semi-annually. The CEO will not allow operating expenses (excluding Committee related expenses and investment management costs) to be higher than 0.28% of the plan assets per year. The CEO is in compliance with these limitations. 2013 expenses are in compliance with the policy. Average assets of the Plan for January 1, 2013 – December 31, 2013 were \$1,269,943,183 (unaudited). Unaudited operating costs (excluding investment management fees, custody expenses, and Committee expenses) were 17 bp annualized. This is below the maximum of 28 bp. Unaudited total expenses were 49 bp annualized. Investment management expenses and custody expenses were 30 bp annualized and Committee expenses were 2 bp annualized.

We are getting value from actively managing the Master Trust's pension assets. For the 4 year period ending December 31, 2013, the Master Trust earned 8.56% annualized, outperforming its Policy Benchmark by 1.91% annualized.

The Master Trust does not hold any real estate directly. However, it does have exposure to Canadian and global real estate through pooled vehicles, in accordance with the SIPP.

At any time of year, there are pension contributions receivable from participating employers. Contributions are submitted to the Plan on a monthly basis. The contributions receivable at December 31, 2013 was \$250,038. All amounts were collected by February 19, 2014. Contributions receivable are monitored by Northern Trust and the HRM Pension Plan Office.

Mr. Traves asked if interest was charged on late contributions if we are paying pension payments in advance? Ms. Troy replied, no, interest is not charged. It was the Committee's decision to pay at the 1<sup>st</sup> day of the month. Ms. Rushton added that Participating Employers have a specified amount of time to remit contributions following their payroll date, so there will always be a delay.

(e) Investment

This is a quarterly report. The CEO is in compliance with this Executive Limitation. The investment strategy was in compliance with the SIP&P as at December 31, 2013.

The Asset Mix as at December 31, 2013 was Equities: 39.04%, Fixed Income: 37.40% and Minimum Target Return (private investments): 23.56%.

Ms. Troy reported on the top 10 holdings by book value as well as the top 3 Canadian Government holdings by book value. Investment managers are restricted from

investing in debt issued by the Halifax Municipality. All investment managers reported that they were in compliance with the Investment Management Agreements (IMA). Each investment manager's compliance is tested quarterly via an automated reported process.

(f) Communication and Support to the Committee

The CEO is in compliance with the limitations associated with this policy. Updates have been provided to 1C, 1E, 1F and 2B.

Final Pension Regulations are still pending. Effective date is unknown but a transition period is likely. Ms. Troy will advise when she has new information.

Ms. Troy asked Mr. B. Wilson if he had an update regarding the Pension Office staff's access to the HRM Employee & Family Assistance Program? Mr. Wilson replied that Pension Office staff have access to this program. Cost issues are still being worked out and will be communicated to the Pension Office.

Ms. Troy added that Mr. Don Ireland, Actuary, will be attending the June Pension Committee meeting to present the preliminary valuation. Mr. Ireland will discuss the impact of adopting the mortality tables at that time. The CIA has finalized the tables and is expecting pension plans to adopt them.

The CEO contract has not been revised to reflect proposed CEO Scorecard. To be discussed In-Camera.

All four new alternates have signed the Code of Conduct.

The HRM Training Room will be used for all meetings in 2014 with the exception of March 2014 due to a previous booking. Ms. Abbott asked what was the reason for moving to a different meeting location? The Committee had requested that the Pension Office look for alternate locations if these were less expensive.

*Moved by Bill Moore and Seconded by Dan White to approve the review of the above policies as presented. Motion Put and Passed.*

## **5. BUSINESS ARISING FROM THE MINUTES**

### **5.1 Pension Reform**

Ms. Troy provided an update in 4.3 (c), Communication and Support to the Committee.

### **5.2 Committee Education and Training Budget**

Ms. Abbott reported that the Training and Education budget is on track at 25% spent. The Training and Education Subcommittee met on February 13, 2014 to discuss the Annual Education Session. Day 1 of the session will be held for the four new members to the Committee as well as any other members that might want to attend. Date to be decided. Cathie O'Toole added that 4-5 new members of the Halifax Water Pension Committee would like to attend the Annual Education Session. Halifax Water will cover the cost of their attendance. Ms.

O'Toole offered a meeting space at Halifax Water to hold the session. Ms. Bayers will coordinate the venue. Ms. Troy felt it would be more cost effective to hold Day 2 of the session closer to the June Pension Committee meeting since Mr. Ireland is presenting at both. He could also cover the Funding Session usually included in Day 1 of the Annual Education Session at the Pension Committee meeting since it is related to the preliminary valuation discussion.

Mr. T. Moore expressed his appreciation to the Training and Education Subcommittee for helping him with his training requirements.

Ms. Abbott reported that there have been delays in getting the CAO approval forms signed on time for training deadlines. Mr. B. Wilson added that some approval forms are being received only a few days prior to the early bird cut off. He feels members should be looking at what their training expectations are for the year and submitting their requests earlier. Ms. Abbott suggested a three day turnaround time for forms to be signed by the CAO. Mr. Wilson did not feel this was a reasonable turnaround time for the CAO. Ms. O'Toole added that the change in perspective on out of town travel approvals was initiated before this CAO was hired and came out of a recommendation from the Municipal Auditor General's Report.

Mr. B. Wilson will discuss with the Training and Education Subcommittee a reasonable turnaround time.

### **5.3 Training Report**

Ms. Abbott gave an overview on behalf of Sherry Hilchey and Rick Dexter of the Foundations of Trust Management Standards (FTMS) training. This is one of the mandatory core training requirements for the Committee. The other is the TDP Program. The Annual Education Session is a supplement to this training as well. An exam is to be completed at the end of FTMS and TDP training. The FTMS training is being held in Halifax this year.

Ms. Troy added that a lot of the FTMS training is a duplicate of the Annual Education Session training, for example, legal fiduciary obligations. She asked if the Annual Education Session should just concentrate on HRM Pension Plan-specific topics. Ms. Abbott felt that the FTMS training provides the basic information but the Annual Education Session covers areas specific to the HRM Pension Plan. The Training and Education Subcommittee will discuss at their next meeting.

### **5.4 Pre-Retirement Death Benefits**

A memo was distributed to the Committee. The Committee asked the Pension Office to prepare a report on the difference between the termination benefits and pre-retirement death benefits provided under the Plan for members who terminate employment or die after becoming eligible to retire.

Members may receive benefits from the Plan in one of three ways depending on the situation. They could receive retirement benefits, termination benefits or death benefits.

The retirement benefit is a pension payable at the member's Optional Retirement Date (the earlier of age 60 or 80 'points' for most members). The termination benefit is a deferred pension

payable at their Normal Retirement Date (age 65 for most members). The Plan Text links death benefits to the termination benefits.

Instead of a pension, the member could elect to transfer the commuted value. Since the commuted value is calculated using an earlier pension start date under the retirement benefit provision, the commuted value of a retirement benefit would be significantly higher than the termination or death benefit.

Amendment 2009-01 was made to the Plan effective December 31, 2010 which reduced the termination benefits under the Plan. Since the death benefit is the same as the termination benefit, it was reduced as well. The commuted value death benefit for a member who was eligible to retire would be much lower than the commuted value the member would receive if they retired.

After discussion with the Committee and review of past Committee meeting minutes, it was determined the impact on the pre-retirement death benefit was not discussed prior to the approval of Amendment 2009-01.

If the Committee wanted to change the Plan to change the pre-retirement death benefit now, a new amendment would have to be made. If an amendment increases the Plan's liabilities, the Pension Benefits Regulations require the Amendment to be funded in advance.

Ms. Rushton illustrated two scenarios showing the financial impact of two possible amendments to the Plan.

Mr. Roussel asked if the commuted value of the termination benefit is linked to the amount of pension payable? Ms. Rushton replied, yes. She referred to a table with sample commuted values for four members. The table illustrated that the commuted value of the member's pension would be higher with an earlier pension start date.

Mr. B. Moore asked if a leave of absence affects your continuous service? Ms. Rushton replied that it does not. Continuous service is the period of employment, from the member's date of hire until the date a member leaves the Plan.

Ms. Rushton reviewed the various optional retirement date ages under the three scenarios.

If the Committee wishes to amend the Plan to increase the pre-retirement death benefit and the plan does not have surplus available for funding, the Superintendent of Pensions has confirmed that contributions over and above those needed to fund the Plan could be used to pre-fund the amendment. A chart was provided to show the actuarial liability impact and contribution rate increases that would be required if two possible amendments were made.

Mr. Roussel asked what was the amortization period of the liability? Ms. Rushton replied that the contribution rate increase due to an increase in actuarial liability would be amortized over 15 years; however, the normal cost increase is permanent.

Mr. Dragatis asked if a member was 60 and eligible for an unreduced pension and they became ill, would they be able to go on pension, and if they were married, have their spouse receive the death benefit? Ms. Rushton replied yes, but whether that is the best decision for the member depends on their individual situation.

Ms. MacLaurin asked if this discrepancy has affected any members? Ms. Rushton replied, yes, it would have affected some members. Ms. MacLaurin asked if the Plan has experienced a financial benefit because of this and can we utilize these monies? Ms. Rushton replied that the Superintendent is unlikely to consider that to be advanced funding of an amendment. Mr. S. MacDonald referred to the various scenarios that were discussed in 2009 which only discussed terminating employment. This gave a 4.5% reduction in solvency. Ms. Troy added that the numbers at that time were based on solvency. The numbers we are using now are based on going concern.

Ms. Abbott added by doing this, another benefit was taken away. How can this be done without approval? Ms. Rushton replied that the Plan Text outlines the termination benefits payable. The death benefit section of the Plan Text refers to the termination section. By changing the termination benefit, it changed the death benefit as well. Mr. B. Wilson added that the intention was to reduce costs, however, the actuary did not provide a thorough enough breakdown in the calculations.

Mr. B. Moore added that Mercer should be contacted to provide a clarification of the calculation. A formal communication should be sent out to members who are eligible to retire. He did not feel that the Plan was in a position to change this at the present time.

Mr. Traves felt it would be helpful to provide a sensitivity analysis considering possible changes in assumptions. Ms. Troy replied that she will ask the actuary to discuss this at the meeting in June. Mr. Traves also felt that the Committee should be looking at other alternatives than increasing contribution rates if they decided to go ahead with this change.

Ms. MacLaurin asked if there was a method to challenge the Superintendent in her decision? Mr. S. MacDonald replied that there is an appeal process. Ms. Troy added that if Mercer confirms that this was not included in their calculation, the Committee might want to discuss with the Superintendent.

### **5.5 Pensioner Audit Update**

Ms. Rushton reported that the pensioner audit commenced in 2011 and was completed in 2013. There were a number of suspensions to members' pensions because they did not respond to various communications. As of today, there are still eight members who have not contacted the Pension Office. Ms. Rushton is corresponding with the office of Vital Statistics for Nova Scotia to determine methods that are available to search for these members in the records of death. The Pension Office is also looking at different procedures going forward that may be more effective at identifying deceased members.

Mr. Roussel asked what were the next steps if you identify that someone has passed away? Ms. Rushton replied that after the date of death is known, it would have to be determined if any overpayments had been made and contact the executor of the estate.

Ms. Purdy asked what was the time difference since the last audit? Ms. Rushton replied that audits are done every five years. It just takes several years to complete them.

Mr. Sampson asked if the amounts of the pensions were substantial? Ms. Rushton replied there are some monthly pensions that are very small and she does not believe any are over \$1,000.

## **6. NEW BUSINESS**

### **6.1 Appointment of new Retiree Alternate Representative**

Ms. Charlotte McInnis had been a retiree alternate representative for approximately 12 years. Ms. McInnis resigned from the Committee in January 2014. The Committee expressed their appreciation to Charlotte for her hard work and many years of dedication to the Pension Committee.

Mr. Lawlor recommended Mr. Brian Leslie as the new retiree alternate representative. Mr. Leslie is a recent retiree and previously served on the Committee for many years.

*Moved by Audra Abbott and Seconded by Jennifer Purdy to appoint Brian Leslie as the new retiree alternate representative. Motion Put and Passed.*

### **6.2 Appointment of new CUPE Alternate Representatives**

Mr. Sheldon Harper introduced Mr. Jordan Taylor and Mr. Mike Young as the two new CUPE 108 alternate representatives on the Pension Committee.

### **6.3 Appointment of new Management Alternate Representatives**

Mr. B. Wilson introduced Mr. John Traves and Mr. Greg Keefe as the two new Management alternate representatives on the Pension Committee. Ms. Troy added that Mr. Traves was the former CEO of the Nova Scotia Pension Agency.

### **6.4 Appointment of New Member for Training and Education Subcommittee**

Ms. Abbott thanked Mr. Mike Sampson for all his input and hard work on the Training and Education Subcommittee. Currently, the members of the subcommittee are Audra Abbott, Sherry Hilchey and Dan White. Meetings are held when required. Ms. Abbott asked for a new volunteer to step forward. Andrew Bone expressed his interest in joining the Training and Education Subcommittee.

*Moved by Jennifer Purdy and Seconded by Ray MacKenzie to accept Andrew Bone as the new member of the Training and Education Subcommittee. Motion Put and Passed.*

### **6.5 Update – 2013 Plan Member Satisfaction Survey Results**

Ms. Troy referred to the Plan Member Satisfaction Survey for 2013/2012. Under 2012, the overall rating should be 4.6/5 instead of 4.5/5. The overall rating has stayed the same for 2012 and 2013. Ms. Troy congratulated Ms. Rushton and her team on an outstanding job in serving plan members.

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## 6.6 Accomplishments for 2013

Ms. Troy introduced Mr. Alex Longmire, Manager, Pension Investments and Ms. Abbie Sui, Senior Investment Associate, from the Pension Office.

### 2013 Pension Committee/HRM Pension Office Accomplishments:

- Pension Reform (*Ms. Troy suggested that this item be removed as a Standing Agenda item. The Committee agreed.*)
  - Draft pension regulations for the new Pension Benefits Act were introduced in two parts; the first in December 2011 and the second in December 2012. The Committee responded to both sets of proposed changes but has not heard back from the NS Government.
- Plan Sustainability
  - Pension contributions increased by 3.2% of earnings (1.6% each EE & ER) as a result of the December 31, 2012 actuarial valuation.
  - Committee adopted a lower discount rate (6.25%).
- Improved Risk-Adjusted Returns Net of Fees
  - Earned an estimated 10.3% in 2013, exceeding the benchmark by 3.6%. This represents approximately \$41.3 mm in added value net of all Plan expenses.
  - Increased exposure to Emerging Markets
  - Made first hedge fund investment
  - Made first direct private bond investment
  - Increased indexed equity exposure
  - Total cost savings were \$1,375,044 annual savings and \$321,896 one-time savings.
- Minimum Target Return
  - Continued to make commitments/investments in infrastructure, real estate, private equity and private debt
  - Commitments increased from \$329.5 mm to \$507.2 mm
  - Invested capital increased from \$237.1 mm to \$338.3 mm
  - The expected annualized net return from the new commitments is approximately 14%
- Governance
  - Clean 2012 audit
- Plan Management
  - Plan member survey rates service as excellent
  - Launched member website with retirement income calculator
  - Pension Office began hosting pre-retirement seminars
  - Pensioner audit completed in 2013
  - Hired Manager, Finance & Operations
  - Audit RFQ held and Deloitte appointed as new auditor
  - Completed and filed necessary tax documents with Northern Trust for outstanding withholding tax reclaims. Tax reclaims total approximately \$125,000 per year.

### 2014 Goals

- Pension Reform
  - Ensure Plan Text is compliant with new PBA and new regulations

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- Improved Risk-Adjusted Returns Net of Fees
    - Earn at least 3.25% in 2014 to prevent contribution increases in 2016, assuming no adverse change to pension liabilities
    - Earn more than 6.25% to improve Going Concern funded status
    - Source and bid on attractive co-investment deals
    - Tactically manage asset exposures, taking advantage of corrections
    - Continue to increase exposure to private debt
    - Take advantage of the global fixed income opportunity set
  - Plan Management
    - Increase in-house pension administration team
    - Improve pensioner audit procedures
    - Log all incoming calls in a searchable database
    - Implement service standards for plan member transactions
    - Formalize Pension Office's Occupational Health & Safety Program
    - Review costs to determine if potential savings exist

Mr. Traves asked if the appointment of Deloitte as the new auditor was made at the November 2013 meeting? Ms. Troy replied that this was discussed at an In Camera meeting.

### **6.7 CEM Benchmarking Analysis**

Ms. Troy reviewed the highlights of the CEM 2012 Benchmarking Survey for the HRM Pension Plan. The report is for information purposes.

Some of the highlights for 2012 include:

- Compared to a universe of 87 Canadian plans, the median size of assets under management for Canadian plans was C\$1.9 billion versus \$1.3 billion for HRMPP.
- The HRMPP is a “high gross value added, low cost fund” compared to the Canadian universe.
- The HRMPP earned 12% outperforming its policy benchmark of 7.1% by 4.9% before fees or 4.5% after fees. The Canadian median pension plan earned 10.1% outperforming its policy benchmark of 8.7% by 1.4% before fees or 0.9% after fees.
- In 2012, HRMPP's total investment cost was 43.0 bps, which was more than the Canadian universe average cost of 39.1 bps, but less than the average cost of 51.0 bps for a Canadian fund of similar size and asset mix.

### **6.8 Pension Plan Office Internal Tools**

- Call Member Call Log

Ms. Rushton reported that a tool has been created to track member calls to the Pension Office. This will serve a number of purposes such as managing workflow, reducing risk, and improving member service. Reports can be run based on call category so that members can receive specific surveys to rate their satisfaction with service from the Pension Office. The reports will also be able to determine frequently asked questions so that improvements can be made in member communications

Mr. Sampson asked if this system resides on the HRM network? Ms. Rushton replied, yes, and is only accessible by Member Services' staff.

— Various Investment Management Tools

Mr. Longmire reviewed some of the investment management tools that are used in the Pension Office. These relate to compliance testing, allocation monitoring, daily updates and risk monitoring. Mr. Longmire reviewed an example of the database to integrate investment compliance. Data is bought in from eleven different sources, inputted into the database to test compliance from a portfolio as a whole perspective. The database is also able to see an individual investment manager's performance and if they are adhering to the rules they have to follow. There are fifty two different tests that are run each quarter to test a manager's performance. Asset allocation is monitored in various ways including region, currency and sector. A daily update is completed each day by Abbie Sui. This is an overview of the market and an overview of our portfolio on a daily basis. The daily update highlights market performance, asset allocation, year-to-date performance and the relevant market news of the day. The Bloomberg terminal is also used to monitor risk. Northern Trust, the Plan's custodian loads the fund holdings to the Bloomberg terminal automatically on a daily basis. Bloomberg allows a wide variety of risk analysis.

Mr. B. Wilson asked what was the procedure if a manager is not in compliance? Mr. Longmire replied that the manager is contacted immediately to find out the reason why. Usually, the manager will approach the Pension Office in any situation where they are out of compliance. If there is an actual compliance breach with a manager, they have to be brought back into compliance immediately.

— Custom Income and Expense Report

Ms. Troy explained that many plans rely on the custodian to record income and expenses. A few years ago, the Pension Office began using QuickBooks as a second set of records to supplement and oversee the transactions processed by the custodian. Recently, Northern Trust was asked to begin automating the income and expense process. This took about two years to implement as this was new for Northern Trust.

Mr. Leonard explained the expense process including how payments are made and how they are reported by Northern Trust. The Global Cash Movement (GCM) is a module within the Northern Trust website that is used to make payments. Previous to this, the Pension Office used a manual process with a letter of direction prepared, signed and faxed to Northern Trust. The office began using GCM at the beginning of 2013. We are able to log on to the Northern Trust website with a secure ID, enter a payment and then have it approved. The payment is then automatically wired out or a cheque is prepared for the vendor by Northern Trust. This information then becomes part of Northern Trust's customized income and expense report that they provide to the office on a monthly basis. The report can also be run on a more frequent basis to ensure the reports are matching with what Mr. Leonard has in QuickBooks.

Mr. Leonard reviewed an example of the income and expense report and the monthly accounting in QuickBooks. The expenses are then compared on a monthly basis to the financial plan that has been agreed on by Mr. Leonard and the CEO. It is also monitored in total against the policy for operating requirements. These are reported to Ms. Troy on a monthly basis.

Mr. S. MacDonald asked what was the cash flow situation at this time? Mr. Leonard said that for 2013 total benefit payments exceeded contributions by approximately \$5.8 million which is 0.4% of Master Trust assets. With the contribution rate increase, the difference between benefit payments and contributions should decrease.

Mr. B. Wilson asked that since we have moved to this new system, have there been any material things being picked up that had to be corrected with Northern Trust? Mr. Leonard replied that now that the expense report is available, he can run this at any time and is able to pick up any differences during the month so these can be corrected right away. Since the expense report has been brought in, there have not been many differences that have had to be corrected. In the past, there was a time lag and we would not know until the following month if there were any corrections to be made. Ms. Troy added that on the cash management side, the big benefit is accuracy. The old process was so manual; Northern Trust would sometimes get the wire instructions wrong.

Ms. O'Toole asked if we occasionally identify Northern Trust errors that impact the allocation of expenses between Halifax Water and the HRM Pension Plan and when we do, do we adjust the application? Mr. Leonard replied that he checks the statements each month and their proration of the expenses has been correct. There are occasions where an expense was not prorated for some reason. Mr. Leonard would then get Northern Trust to prorate the expense.

Ms. Abbott asked if you can set the payment dates so that the invoice is paid on a certain date? Mr. Leonard replied, yes. Ms. Abbott added that this must save time from the old system that was in the office previously.

## **6.9 Plan Expense Policy**

Ms. Bayers and Mr. Leonard reviewed some areas of the Policy to get further direction from the Committee. Existing concerns include booking travel arrangements for spouses, incomplete receipts, and booking additional nights before and after conference dates, The Committee was asked to clarify whether hotel telephone connection charges should be reimbursed. Some connection charges for 1 800 or 1 888 #s are one-time while others are treated like long- distance charges. The Committee discussed the legal opinion previously provided where receipts must be provided for all expenses except where they cannot be provided e.g. some tolls, buses, bridges. The Committee also discussed the need to clarify that meal expenses should be submitted separately by each Committee member instead of being lumped together. The practice of submitting mileage from home or office to/from training needs to be clarified.

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*Moved by Bill Moore and Seconded by Mike Sampson that the Co-Chairs clarify the policy and present it at the next meeting. Motion Put and Passed.*

**Presentation: Affordability of the HRMPP from HRM's perspective**

*Mr. B. Wilson made this presentation on behalf of the Halifax Regional Municipality.*

HRM is asking the Committee

1. To develop lower cost pension options that offer benefits more in line with comparative public sector pension benefit levels.
2. That the Committee work with HRM in assisting members in understanding their real retirement needs.

Mr. White asked how many of the other plans in Mr. Wilson's presentation have indexation? Mr. Wilson replied that he did not have this information but there are not many plans left that have indexation. This is a very expensive benefit.

Mr. Nixon asked what was the criteria for selecting these particular municipal public sector plans? Mr. Wilson replied that these plans cover many other municipalities across the country.

Mr. T. Moore responded to Mr. Wilson's comment regarding HRM having trouble attracting employees due to high pension contributions. Mr. Moore commented that a number of high level employees recently have all come from the province or other municipalities. He does not believe HRM has trouble attracting employees.

Mr. Nixon added that the Police Department does not have any problem recruiting employees from around the country.

Mr. B. Wilson replied that some people aspire to these positions but there are other positions where there is more direct competition.

In response to Mr. Wilson's comment about HRM's projected \$100 million deficit in 10 years, Mr. M. Young suggested that HRM look to reduce costs in HRM first before looking at the pension plan. Mr. Greg Keefe added that this projected deficit was not the result of increased pension costs and that HRM cannot afford any further contribution increases. There are many other initiatives taking place within HRM to cut this deficit.

Mr. S. MacDonald asked Mr. Keefe how is HRM doing with debt? Mr. Keefe replied that total debt servicing is dropping at the rate of 6.3% of revenue. This is the principal as well as the interest. This is approximately \$1,200 per household. Mr. MacDonald asked what was HRM's credit rating? Mr. Keefe replied that the last time this was done, it was an A rating. Mr. MacDonald asked the difference in the average Nova Scotia CPI and HRM's CPI? Mr. B. Wilson replied that it was 0.01%.

Mr. Bone asked if HRM was looking at a 25% reduction in contribution rates to 9% employee/employer? Mr. Wilson replied that HRM would like to reduce contribution rates to be more in line with other public sector plans.

Mr. Bone asked what kind of timeline is HRM looking for to make these changes in the Pension Plan? Mr. Wilson replied that HRM would like to begin the discussion as soon as possible in light of their fiscal position.

Mr. T. Moore referred to Mr. Wilson's comment that people do not need as much money in retirement. He said that with the increases in everyday living, it is not possible to project retirement needs without indexation. Mr. Wilson replied that tax payers will face the same challenges without a defined benefit pension plan.

Mr. White commented that you really cannot compare 1998 to today as interest rates were much higher. The HRM Pension Plan does not have indexation which is a very expensive benefit. He believes that people will still come to work for HRM despite higher contribution rates than other provinces. The Plan is well designed and performance is increasing.

Mr. Wilson replied that in 1998, pension benefits were affordable. Tax payers do not have a very high defined benefit pension plan but have higher taxes than 1998.

## **7. OTHER BUSINESS**

It was brought to the Committee's attention that the decision to appoint Deloitte as the new auditor for 2013 was not noted in the regular Committee minutes as this was discussed at an In Camera meeting.

The Pension Committee reaffirmed the decision to appoint Deloitte for the 2013 audit, as was decided at the In-Camera meeting of November 21, 2013.

*Moved by Gordon Roussel and Seconded by Dan White to reaffirm the decision to appoint Deloitte for the 2013 audit as was decided at the In-Camera meeting of November 21, 2013. Motion Put and Passed.*

Mr. White commented on the Macquarie Infrastructure Partners Annual General Meeting he recently attended. The meeting was extremely interesting and he now has a better understanding of our infrastructure investments. He recommends that one Committee member be sent to their Annual General Meeting each year.

Mr. S. MacDonald reminded the Committee of the next meeting on June 26, 2014 in the Duke Tower Training Room. More information will be coming with regard to the Annual Education Session.

## **8. DATE OF NEXT MEETING – June 26, 2014**

## **9. ADJOURNMENT**

*Moved by Ray MacKenzie to adjourn the meeting at 2:45 p.m. Motion Put and Passed.*

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R. Scott MacDonald, Co-Chair