

**HALIFAX REGIONAL MUNICIPALITY
PENSION COMMITTEE**

March 21, 2013

The Halifax Club, Morrow Room

9:00 a.m. – 4:00 p.m.

MEMBERS: Sheldon Harper, CUPE
Michael Lawlor, Retiree
Brian Leslie, NUMEA
R. Scott MacDonald (HRPA), Co-Chair
Raymond MacKenzie, ATU
Roxanne MacLaurin, Management
Bill Moore, Management (*left at 1:15 p.m.*)
Jennifer Purdy, NSUPE
Gordon Roussel, Management
Mike Sampson, Management
Britt Wilson, Management, Co-Chair
Dan White, IAFF

ALTERNATES: Jerry Blackwood, Management
Andrew Bone, NSUPE (*left at 2:30 p.m.*)
Stephen Bussey, IAFF
Gerard Cottreau, Management
Rick Dexter, NUMEA
Jack Dragatis, ATU
Melanie Gerrior, NSUPE
Dwayne Hodgson, HRP
Charlotte McInnis, Retiree
Ted Moore, IAFF
Peter Nixon, HRP
Dwayne Tattrie, CUPE

STAFF: Terri Troy, CEO
Donna Bayers, Executive Assistant
Glenn Hirschfeld, Director of Pensions
Angela Rushton, Manager, Pension Services
Alex Longmire, Senior Investment Associate (*10 a.m. -12:30 p.m.*)

OTHERS: Anne Patterson, Halifax Regional School Board
Cathie O'Toole, Halifax Water (*arrived after lunch*)
Cheryl Little, Halifax Water
Diane Levandier, Sackville Sports Stadium

1. CALL TO ORDER

The meeting was called to order at 9:10 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.

Mr. Leslie introduced Mr. Rick Dexter, new Alternate for NUMEA.

2. APPROVAL OF THE AGENDA, ADDITIONS, AND DELETIONS

Mr. Roussel added, "Audit Subcommittee, Replacement of Member."

Moved by Raymond MacKenzie and Seconded by Jennifer Purdy to approve the agenda as amended. Motion Put and Passed.

3. APPROVAL OF MINUTES – November 22, 2012

Ms. Bayers noted on Page 4, 3rd paragraph, the apostrophe should be removed from the word, "supplier's" and on Page 5, Item 5.5, remove last word in 1st paragraph, "and."

Mr. Sampson also noted on Page 8, Item 6.5, "Motion Put and Passed" should be added at the end of the motion.

Moved by Stephen Bussey and Seconded by Raymond MacKenzie to approve the November 22, 2012 minutes as amended. Motion Put and Passed.

4. GOVERNANCE REVIEW**4.1 Committee Self-Monitoring STANDING ITEM (Committee)**

- Process
- Performance

No comments.

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

Mr. MacDonald reviewed the letter prepared by Ron Pink regarding the HRM Pension Plan, Privacy Principles on June 5, 2012.

Ms. Troy reviewed several changes to the Statement of Privacy Principles.

- Page 1, 5th paragraph, 1st line, capital "T" on "text"
- 6th paragraph, 1st line, remove "the Manager of Pension Operations"
- 2nd line, replace "Committee" with "CEO"

-
- Under “Accountability” change “Privacy Officer/Manager of Pension Operations” to “Privacy Officer/Manager, Pension Services.”
 - On page 2, 2nd paragraph, Information Technology (IT) has been added to the last line

Ms. Troy advised Angela Rushton has assumed the role of Privacy Officer.

Moved by Dan White and Seconded by Mike Sampson to approve the changes to the Statement of Privacy Principles as amended. Motion Put and Passed.

Copies of the Code of Conduct Policy were provided to Pension Committee members for them to sign.

4.3 Governance Policy Review – Committee-Management Delegation (Committee)

(a) Monitoring CEO Performance

Mr. White suggested adding the word “measured” before “solely” and removing the words “the only” in the 1st line of the 1st paragraph.

Moved by Dan White and Seconded by Jennifer Purdy to approve the changes to Monitoring CEO Performance Policy as amended. Motion Put and Passed.

4.4 Ends (Committee)

(a) Ends Statement

The Committee reviewed and made no changes to this policy.

4.5 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 have been no updates since the last annual report.

(b) Treatment of Plan Members

The CEO is in compliance with the limitations associated with this policy. Ms. Troy reported that Aon Hewitt accidentally sent a plan member someone else’s retirement statement. Aon Hewitt has contacted both parties and reviewed internal procedures to minimize the risk of this happening again.

(c) Treatment of Staff

The CEO is in compliance with the limitations associated with this policy. All staff have a copy of Human Resource Policies. All staff have the Crombie Security phone number to call in the event of an emergency. All staff have a copy of emergency contacts for all staff. The disaster recovery plan will be tested in 2013 by the Manager, Finance and Operations.

Mr. B. Moore asked if the Pension Office had someone trained in first aid? Mr. Hirschfeld replied that two staff members had been trained but have since left

employment with the Pension Office. The Pension Office will ensure that at least two people are trained in first aid.

(d) Financial Condition and Activities

Ms. Troy referred to the revised monitoring report. Due to a change in the 2012 rate of return for the Master Trust, all monitoring reports referencing performance or asset values have been revised. The Pension Office instructed Northern Trust to close the December 31, 2012 custodial books on February 28, 2013. All valuation reports for private investments received by that date were incorporated into the year-end valuations. This impacted the preliminary 2012 rate of return number previously distributed.

The CEO is in compliance with these limitations.

The 2012 expenses are in compliance with the Policy. Average assets of the Master Trust for December 31, 2011 – December 31, 2012 were \$1,220,118,440 (unaudited). Unaudited operating costs (excluding investment management fees, custody expenses, and Committee expenses) were 22 bp annualized, below the maximum of 28 bp.

Unaudited total expenses were 53 bp annualized. Investment management expenses and custody expenses were 29 bp annualized and Committee expenses were 2 bp annualized.

The Master Trust continues to benefit from active management of the investments.

Mr. Scott MacDonald asked how the Committee expenses of 2 bp compares to other plans. Ms. Troy replied that 2 bp is reasonable.

Mr. B. Moore suggested a separate budget for Committee expenses. Ms. Troy replied that there is no overall budget except for Committee training. Mr. Moore would like the Committee to be aware of the cost to run the Committee year over year. Ms. Troy mentioned that total Governance (Committee) expenses are disclosed in the Annual Report distributed to plan members. Mr. B. Wilson suggested that a breakdown of Committee expenses be disclosed semi-annually to the Committee. Ms. Troy suggested adding this information to the Cost of Governance Policy and will update the Committee at the next meeting.

(e) Investment (Revised)

The CEO is in compliance with this policy. The investment strategy was in compliance with the SIP&P as at December 31, 2012.

The Asset Mix was within min-max ranges outlined in the Statement of Investment Policies and Procedures: Equities 36.8%, Fixed Income 44.3% and Minimum Target Return (private investments) 18.9%. Ms. Troy reviewed the top 10 holdings by book

value and the top 3 Canadian Government holdings by book value. The average credit rating was A+, which is above investment grade.

All investment managers, with the exception of Canso Investment Counsel Ltd, reported that they were in compliance with the Investment Management Agreements. As of March 1, 2013, the fund was back within compliance thresholds. Each investment manager's compliance is tested at least annually. The Pension Office is presently working on automating compliance reports.

(f) Communication and Support to the Committee

The CEO is in compliance with the limitations associated with this policy. Ms. Troy provided an update in 1E and 1F.

In early January 2013, the NS Government informed Ms. Troy that the HRM Pension Plan received permanent exemption from funding solvency deficits effective for the December 31, 2012 valuation. She also received confirmation that the new Nova Scotia Pension Regulations provide for a deferral of contribution increases determined as a result of an actuarial valuation for up to 12 months after the actuarial valuation date. The new PBA and associated new regulations are expected to be passed in late Spring/early summer of 2013. The Committee will need to make a decision on immediate vesting.

The procedures for In-Camera meetings require that In-Camera minutes be kept in a locked cabinet in the Pension Office. It also requires that In-Camera minutes be approved at the next In-Camera meeting. This is being done for all In-Camera meetings that the CEO attends. It is not clear whether this is being done for all meetings in which the CEO does not attend. These minutes are not being kept in the Pension Office. The Committee will discuss this point in conjunction with the Agenda Item 6.7, Review of In Camera Meeting procedures.

Moved by Gordon Roussel and Seconded by Raymond MacKenzie to approve the review of the policies, amendments to policies, and Monitoring Reports presented. Motion Put and Passed.

5. BUSINESS ARISING FROM THE MINUTES

5.1 Update – Union Meeting Presentations on Potential Contribution Rates and/or Benefit Reductions

Ms. Troy reported that two general member town hall meetings were held on November 21 and 22, 2012. ATU held their meeting on November 25; NSUPE, December 3; IAFF, December 4; HRP, December 5. A presentation was also given on December 14 for Halifax Water. CUPE's presentation will be held sometime in April 2013. The majority of members in attendance indicated that a 2% increase in employee pension contributions, matched by employers, would be preferable to benefit reductions.

Other Business: Update – State Street Lawsuit

Mr. Scott MacDonald reported that the outstanding lawsuit with State Street Global Advisors was settled since the last quarterly Pension Committee meeting. If a Committee member is approached by the media, they should respond, “The matter has been resolved and the lawsuit settled but I am not at liberty to disclose any of the terms of settlement due to strict confidentiality provisions in the settlement agreement.”

Education Session:

Ms. Troy introduced Mr. Alex Longmire, Senior Investment Associate in the Pension Office.

Ms. Troy also introduced Wendy Brodtkin, Managing Director, Alliance Bernstein and Morgan Harting, Senior Portfolio Manager, Alliance Bernstein. Ms. Brodtkin is in charge of business development at Alliance Bernstein. Mr. Harting co-heads the emerging markets multi-asset team at Alliance Bernstein.

Mr. Harting presented to the Committee on “Emerging Markets Outlook and Investment Strategy.” The Committee was provided with handouts.

5.2 Update on Pension Reform

Ms. Troy referred to the article that was in the Chronicle Herald on January 4, 2013, “N.S. pension fund rules relaxed for government-funded organizations.”

5.3 Committee Education and Training Budget

Mr. Leslie reported on behalf of the Training and Education Sub Committee. The total budget for 12 Voting Members and 13 Alternates is \$92,500 for 2013. Total spent to date is \$4,408.68.

Mr. Dan White emphasized that members should get the required training and work to fit it into their schedules.

There is a possibility that the TDP Program may be coming to Halifax this year. This program is one of the choices for trustee training. There are presently two providers of trustee training. One is called TDP (Trustee Development Program) and the other is IFEBP (International Foundation of Employee Benefit Plans) based in the United States. IFEBP offers two programs, FTMS, Foundations of Trust Management Standards and ATMS, Advanced Trustee Management Standards. IFEBP requires that FTMS be taken prior to their advanced course. However, IFEBP will allow you to take an exam for FTMS. The Training and Education Sub Committee is working to ensure that those who took an earlier version of FTMS will be accepted as having taken the new FTMS.

There are three areas of trustee education: basic trustee knowledge, investment and conferences/updates.

Mr. B. Moore asked if there will be one on one meetings similar to employer/employee career planning meetings? Mr. White replied that the Training and Education Sub Committee has been

monitoring members' training and providing advice. There is also an Orientation Session that is put on by the Pension Office.

Mr. S. MacDonald added that if members have a problem with getting supervisors to approve time for training, please contact one of the Co-Chairs.

Mr. S. MacDonald asked the Committee by show of hands how many would be interested if the TDP Basic Program came to Halifax this year. Nine people were interested. Ms. Bayers will pass this information along to the coordinator of the TDP Program.

5.4 HRM Approval of Overnight & Out of Province Travel

Mr. B. Wilson reported that this process has now been streamlined with a 3-4 day turnaround time. After the Manager's signature is obtained, the form should be sent to Britt Wilson who will sign and send to CAO's assistant for official sign off by CAO.

5.5 HRMPP Website Update

Mr. Hirschfeld reported that the website is hosted on a Bell Aliant server and is operational. Committee members, alternates and participating employers' representatives should contact Ms. Bayers if they are having difficulty accessing the website or to provide comments.

Access to the personal pension information for active plan members is still in development. Aon Hewitt is testing the functionality of the site. The next round of testing will be done on March 25, 2013 and Mr. Hirschfeld will be notified about the status of the testing. Once testing is successful and complete, Committee members and alternates will be invited to set up their accounts and provide further comments.

6. NEW BUSINESS

6.1 Accomplishments for 2012

Ms. Troy referred to the revised presentation and discussed the accomplishments for 2012. One of the main accomplishments for 2012 was getting the permanent exemption from funding solvency deficits. Presentations for plan members to provide input into increased contributions versus reduced benefits were held and the feedback provided indicated that the consensus was to increase employee contributions up to 2% of pensionable earnings, matched by employers. The Plan earned 12.01% in 2012, exceeding the benchmark by 4.89% and exceeding the median plan by 2.61%. Commitments were made to invest in infrastructure, real estate, private equity and private debt. Minimum target return mandates were added to reduce plan volatility. The total cost savings for 2012 were \$2,700,700 per year and \$536,900 one-time. Savings resulted from negotiating lower investment management, legal, foreign exchange, custody, and pension administration fees.

The ongoing plan member survey rated the HRM Pension Office service as "excellent" with a response rate of 56%. The new website for the plan and Committee members went live in 2012 and a new pension administration filing system was implemented. The response rate of retired members for the pensioner audit was 98%. There are 45 pensioners who have not yet responded, however, some of the letters have been returned to sender. A final step would be to suspend these pension payments until a response is received.

Ms. Troy reviewed the goals for 2013:

- Ensure Plan Text is compliant with new PBA and new regulations
- Pension Committee to make decision on immediate vesting
- Pension Committee to make decision on Going Concern Discount Rate and other assumptions, e.g. Mortality
- Source and bid on attractive private co-investment deals
- Reduce external operating costs by bringing in functions internally, where appropriate
- Reduce unnecessary costs
- Hire Manager Finance & Operations
- Launch plan member retirement calculator functionality

Mr. Lawlor asked if there would be discussion on a pensioner increase? Ms. Troy replied that the actuarial valuation has not yet been completed. The funded status may improve slightly but not enough for a pensioner increase.

During lunch, Mr. S. MacDonald made a presentation to Brian Leslie and congratulated him on his retirement at the end of March 2013. He thanked him on behalf of the Pension Committee for his many years of service on the Pension Committee.

6.2 Priorities for Pension Committee

Mr. S. MacDonald referred to the list of priorities provided by Pension Committee members. Ms. Troy previously met with each Voting Member to discuss their opinion on future priorities for the Committee over the next three years. Mr. MacDonald asked the Committee to review what might be their top five list. The Committee agreed that sustainability of the pension plan was the top priority.

Several potential meeting dates were sent to Committee members in June 2013 to discuss contribution increases. The Plan Text states that 180 days' notice to plan members needs to be given prior to a change in the contribution rate. It is anticipated that the actuary should be able to complete the December 31, 2012 actuarial valuation by early June. A decision will then need to be made by the Committee on the contribution rate increase to be effective by January 1, 2014.

Ms. MacLaurin asked if HRM informs new employees who are eligible for the defined contribution account as some employees are not aware and assume this is related only to overtime earnings. Mr. B. Wilson replied that a letter is distributed each September but does use the example of overtime earnings. Ms. MacLaurin suggested better language. Ms. Troy suggested adding this to the Frequently Asked Questions on the HRMPP website and asked Ms. Rushton to follow-up on this.

6.3 Associated Plan Text Change

Mr. Hirschfeld recommended eliminating the two pensioner increase policies (Items 6.3.2 (Policy for Ad Hoc Pensioner Increases) and 6.3.3 (Policy for Excess Interest Adjustments to Pensions in Payment) because of redundancy as pensioner increases are captured in the Plan Text and the HRM Pension Committee Funding Policy. The Pension Committee has the flexibility to grant pensioner increases as per the HRM Pension Plan and Funding Policy. An amendment will be made to Section A3.08 of the HRM Pension Plan as well as the Funding Policy.

Currently the HRM Pension Plan Text Section A3.08 provides language concerning pension increases if net investment returns exceed 7.5% cumulatively since the effective date of the Plan, and also gives general authority to the Pension Committee to increase pension benefits from time to time. Since the Committee has the authority to grant increases from time to time, this makes the investment return language redundant and confusing in the administration of the plan. The HRM Pension Office is recommending an amendment to eliminate the investment return language in the Plan Text and just leave the Committee authority language. Also the recommendation is to amend the funding policy to mirror the authority of the Committee to grant pension increases as per the Plan Text.

6.3.1 Reviews of Funding Policy

Under “Funding Risks,” 2 (a), (b) and (c) were amended. 2 (a) corrected the number of Participating Employers from fourteen to thirteen. 2 (b) and 2 (c) removed references to solvency funding. 2 (c) added the primary focus on Going Concern funding.

Item 3 (c) Potential Uses of Surpluses was amended: examples were deleted in the second bullet point, link to the Plan Text language for pensioner increases was added as a new third bullet point, and references to solvency funding were deleted in the fourth bullet. “if required” was added at the end of the fourth bullet point

Section 4 Short-Term Strategies has been deleted because they are no longer relevant.

6.3.2 Policy for Ad Hoc Pensioner Increases

Mr. Hirschfeld reviewed the policy with the Committee and recommended eliminating this policy since it is redundant because pensioner increases are reflected in the Plan Text and Funding Policy.

6.3.3 Policy for Excess Interest Adjustments to Pensions in Payment

Mr. Hirschfeld reviewed the policy with the Committee and recommended eliminating this policy since it is redundant because pensions in payment are reflected in the Plan Text and Funding Policy.

Moved by Dan White and Seconded by Raymond MacKenzie to eliminate the “Policy for Ad-hoc Pensioner Increase” and the “Policy for Excess Interest Adjustments to Pensions in Payment” as well as amend the Funding Policy as proposed. Motion Put and Passed.

Moved by Michael Lawlor and Seconded by Brian Leslie to amend Section A3.08 of the HRM Plan Text as proposed. Motion put and Passed.

6.4 Review of Policy with Respect to New Participating Employers

There were no proposed changes to this policy which was last reviewed on January 26, 2005. The Committee reviewed and made no changes to this policy.

Moved by Mike Sampson and Seconded by Jennifer Purdy that the policy was reviewed and approved with no changes. Motion Put and Passed.

6.5 Review of Reciprocal Transfer Policy

Ms. Rushton reviewed the changes to this policy with the Committee. Ms. Rushton recommended eliminating ii) under “Policy”, which made plan members responsible for the cost of all research and correspondence relating to establishing the eligibility of the reciprocal service as pensionable service. Once the Canada Revenue Agency approves the reciprocal transfer agreement, any pensionable service with the importing plan could be recognized as pensionable service under the HRM Plan. Under iv) Administration Fee, it is recommended to put the actual dollar amount of the administration fee, \$750.

Ms. Cheryl Little of Halifax Water referred to i) Minimum plan size and asked if the number of active members in a plan can be reviewed since HRM owns Halifax Water. Ms. Rushton replied that the policy could be changed but even if all the conditions were not met, the Committee has absolute discretion to enter a reciprocal agreement. Presently, there are four reciprocal transfer agreements.

Even if a reciprocal transfer agreement is in place with another employer’s pension plan, a plan member has the option to buyback the service outside the reciprocal agreement. Both options are administratively complex and require a number of calculations and significant correspondence with the member, the administrator of their former employer’s pension plan and Canada Revenue Agency. While the \$750 reciprocal transfer fee covers most of the charges to the plan (not including internal staff time), the \$500 buyback fee does not. Also, since the fees are different, information is presently being provided up front regarding these options before charging a fee because the plan member may not know which option to choose at the outset. If the member does not proceed with either option, no fee is collected. Therefore, it is recommended that the same fee of \$750 be charged for both a buyback and a reciprocal transfer and collected before the work is done.

With regard to marriage breakdown fees, Mr. White asked if a member would have to pay two fees if they have a defined benefit and a defined contribution benefit? Ms. Rushton explained that there would only be one fee of up to \$650, as per the current pension regulations. The recommendation is that the surcharges in the Appendix to Plan Expense Policy be updated to reflect Buybacks: \$750 (purchase of non-HRM or participating employer service) and Marriage Breakdowns: Up to \$500 for the division of a defined benefit or up to \$650 for the division of a defined contribution benefit (or such other amounts prescribed by the Nova Scotia Pension Benefits Regulations). This will be discussed under agenda item 6.6.1.

Moved by Roxanne MacLaurin and Seconded by Michael Lawlor to approve the revised Reciprocal Transfer Agreements Policy as presented. Motion Put and Passed.

6.6 Review of Plan Expense Policy

Ms. Troy reviewed some proposed changes to the Plan Expense Policy on Pages 4 and 6. It was decided to defer this item to the next meeting.

6.6.1 Appendix to Plan Expense Policy

The fee for a reciprocal transfer will remain at \$750 but it is recommended that the buyback fee should be changed from \$500 to \$750. The fee for the division of a defined benefit for a marriage breakdown is up to \$500, however, for the division of a defined benefit and a defined contribution benefit, the fee is \$650 (or such other maximum prescribed by pension legislation).

Ms. Troy also added that the maximum meal allowance has increased from \$60 to \$65 per day with receipts. The incidental rate remains at \$10.00 per day, not receipted. However, incidentals are restricted to those items where a receipt is not possible e.g. bridge or subways fares.

Moved by Roxanne MacLaurin and Seconded by Dan White to approve the changes to the Appendix to the Plan Expense Policy as presented. Motion Put and Passed.

6.7 Review of In Camera Meeting Procedure

Since the CEO is not present at all In Camera meetings, all minutes are not being kept in a locked cabinet in the Pension Office as required by the In Camera Procedures. It was suggested that these minutes be signed and sealed in an envelope by one of the Co-Chairs and passed to the Pension Office to be filed in a locked cabinet. The Committee decided to defer this item to the next meeting. Ms. Troy will revise this procedure and add a cross reference to the Code of Conduct Policy.

6.8 Review of Procedure for Dealing with the Media

The Committee reviewed and made no changes to this procedure. Ms. Troy will add a cross reference to the Code of Conduct Policy.

6.9 Review of Discount Rate

Ms. Troy reviewed the building block approach regarding the development of the Going Concern Discount Rate table as distributed. The table shows a total long term investment assumption of 6.77% after the deduction of expenses of .5%. The proposed Going Concern Discount Rate is 6.00%-6.75%. Ms. Troy also referred to the article by Malcolm Hamilton, "The Importance of Realistic Expectations" which encourages plans to be even more conservative. A decision needs to be made on the discount rate for the actuary prior to June 2013.

Mr. White asked what was the total return since inception? Ms. Troy replied 6.38% before expenses and 5.9% after expenses. Ms. Purdy asked about the timeframe in changing the discount rate. Ms. Troy replied that valuations will have to be done annually if the solvency funded status is lower than 85%.

Moved by Dan White and Seconded by Roxanne MacLaurin to adopt a 6.25% discount rate going forward. 6 members voted in favour and 5 members opposed. Motion Carried.

6.10 Immediate Vesting

Ms. Rushton referred to the memo on “Immediate Vesting” distributed in the package. A new Pension Benefits Act was introduced in late 2011. New legislation is expected to be proclaimed in force in late spring or early summer 2013.

Currently, plan members who terminate employment before completing two years of continuous service are entitled to a refund of only their employee contributions with interest. The new Pension Benefits Act provides for immediate vesting, which means that members would be entitled to a deferred pension or the commuted value of the deferred pension upon termination of employment, with no minimum service required. Terminating members with less than 2 years of service will obtain a higher amount than what they are currently entitled to. This would impact approximately 85 terminating members per year.

The HRM Pension Plan will be required to comply with the change to immediate vesting as soon as the new legislation is proclaimed. It has been estimated that this will cause an additional annual cost of approximately \$200,000 per year, effectively split evenly between employees and employers.

Four options with respect to immediate vesting were presented to the Committee at the June 14, 2012 meeting. The first option was to allow for immediate vesting. Option 2 was to delay membership eligibility for 2 years with a possible buyback of this service. Option 3 was to delay eligibility for 2 years with past service automatically credited after 2 years (with payment of retroactive contributions by the employee and employer). Option 4 was to allow for optional enrollment upon hire with mandatory enrollment after 1 or 2 years with no option for past service credit.

Ms. Rushton highlighted that under options 2-4, the membership base would decrease, which means contribution rates would have to increase to pay the special contribution for unfunded liabilities. The cost per member will go up because there would be fewer members paying the additional contributions. Choosing one of options 2-4 would also increase pension administration complexity and cost.

Moved by Mike Sampson and Seconded by Gordon Roussel to accept Option 1 – Allow for Immediate Vesting provided the government does not allow the Plan to maintain the status quo. Motion Put and Passed.

6.11 Update – Transfer Ratio

Presently, there is a transfer ratio that is currently being applied to almost all commuted value payments from the Plan in accordance with the Pension Benefits Regulations. Up until March 2013, the ratio being applied was 80.9% based on the 2009 valuation. The Pension Benefits Regulations state that if you have reason to believe that the ratio has declined, you need to stop transferring commuting values until a new transfer ratio has been calculated or receive prior approval from the Superintendent of Pensions.

Ms. Rushton has asked the Superintendent of Pensions if she will approve the use of the present transfer ratio until a new transfer ratio is calculated when the valuation is filed for December 31,

2012. A reply has not yet been received. Commuted values are presently not being paid until a decision is received from the Superintendent of Pensions.

6.12 Review of DB SIP&P

Ms. Troy added Item 3.18 on Page 8 of the DB SIP&P to allow for the benchmark change for one of the Master Trust's investments.

Moved by Roxanne MacLaurin and Seconded by Dan White to approve the DB SIP&P as amended. Motion Put and Passed.

6.13 Distinct Email for HRM Pension Office & HRM Pension Committee

Mr. S. MacDonald referred to the Benefits Canada article regarding pension committee email. The article refers to the HRM Pension Committee's challenges with streamlining email search terms. The article recommends that organizations should consider separate emails for pension plan organizations and committee members, separate from their employers.

6.14 Update – 2012 Plan Member Satisfaction Survey Results

Ms. Troy reviewed the Plan Member Survey 2012 Summary. The response rate was 56% with 95 of 172 members responding. The overall rating was 4.5/5 "Excellent."

6.15 Term of Scott MacDonald as Co-Chair expires May 1, 2013

Mr. B. Wilson informed the Committee that Scott MacDonald's term as Co-Chair ends on May 1, 2013. Mr. Wilson asked if any other members were interested. Mr. MacDonald would be willing to continue his term.

Moved by Dan White and Seconded by Michael Lawlor to appoint R. Scott MacDonald for an additional term of two years until May 1, 2015.

6.16 Vacant Member – Audit Sub Committee

Mr. Roussel reported that with Brian Leslie retiring, a new member is required for the Audit Sub Committee. Raymond MacKenzie expressed his interest in this position.

Moved by Gordon Roussel and Seconded by Brian Leslie to appoint Raymond MacKenzie as the new Audit Sub Committee member to replace Brian Leslie. Motion Put and Passed.

7. **DATE OF NEXT MEETING** – June 17, 2013

8. **ADJOURNMENT**

The meeting adjourned at 3:40 p.m.

R. Scott MacDonald, Co-Chair